



INTEGRATED ANNUAL REPORT 2023

Including the consolidated non-financial statement pursuant to legislative decree 254/2016.

This document does not comply with the ESEF format required by the Delegated Regulation of the European Commission 2019/815 and therefore represents an unofficial version of the Integrated Annual Report 2023.

The official ESEF document is published and filed according to the provisions of the law.

VISION



To be a leading figure in the world of energy, driving its sustainable evolution and innovating each day to improve people's quality of life.

MISSION



We have guaranteed efficient, safe and excellent energy services to the community for over 180 years. We favour the energy transition, creating the networks of the future and promoting innovative, sustainable solutions. We take care of local communities. We fuel positive, productive relationships with all of our stakeholders: individuals, companies, suppliers and shareholders. We enter new markets where we can apply our distinctive expertise. We promote the growth of individuals and develop talent, creating inclusive, stimulating work environments.

PURPOSE



Pioneers by passion and builders by calling, we bring all our energy to accelerate the ecological transition. We do it for us. We do it for everyone.

Disclaimer

The Integrated Annual Report contains forward-looking statements, specifically in the "Business Outlook" section, relating to: investment plans, financial structure evolution, future operating performance and project execution. The forward-looking statements, by their nature, involve risks and uncertainties as they depend on the occurrence of future events and developments. The actual results could therefore differ from those announced in relation to various factors, including: actual operating performance, general macro-economic conditions, geopolitical factors such as international tensions and socio-political instability, the impact of energy and environmental regulations, the successful development and application of new technologies, changes in stakeholder expectations and other changes in business conditions, action by competitors.

The names Italgas, Italgas Group or Group refer to Italgas S.p.A. and the companies included in the scope of consolidation.



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CORPORATE BODIES

BOARD OF DIRECTORS ^(A)

BENEDETTA NAVARRA

Chairperson

PAOLO GALLO

Chief Executive Officer
and General Manager

CLAUDIO DE MARCO ^(B)

Directors

FABIOLA MASCARDI

Directors

GIANMARCO MONTANARI

Directors

LORENZO PAROLA

Directors

MANUELA SABBATINI

Directors

MARIA SFERRUZZA

Directors

QUINJING SHEN

Directors

BOARD OF STATUTORY AUDITORS ^(A)

GIULIA PUSTERLA

Chairperson

MAURIZIO DI MARCOTULLIO

Standing auditors

PAOLA MARIA MAIORANA

Standing auditors

STEFANO FIORINI

Alternate auditors

BARBARA CAVALIERI

Alternate auditors

(A) Appointed by the Shareholders' Meeting of 26 April 2022. In office until the date of the Shareholders' Meeting that will be called for the approval of the financial statements for the year ending 31 December 2024.

(B) Appointed Lead Independent Director on 9 March 2023, in office until the expiry of the term of the Board of Directors that appointed it, i.e. the date of the Shareholders' Meeting that will be called to approve the financial statements for the year ending 31 December 2024.

COMPOSITION OF THE INTERNAL COMMITTEES

CONTROL, RISK AND RELATED PARTY TRANSACTIONS COMMITTEE ^(C)

Gianmarco Montanari
(Chairperson)

Claudio De Marco

Manuela Sabbatini

APPOINTMENTS AND COMPENSATION COMMITTEE ^(D)

Fabiola Mascardi ^(E)
(Chairperson)

Claudio De Marco

Manuela Sabbatini

SUSTAINABLE VALUE CREATION COMMITTEE ^(F)

Lorenzo Parola ^(G)
(Chairperson)

Maria Sferruzza

Quinjing Shen

SUPERVISORY BODY ^(H)

Antonio Gullo
(Chairperson)

Romina Guglielmetti

Francesco Profumo

INDEPENDENT AUDITING FIRM ^(I)

Deloitte & Touche S.p.A.

(C) Committee established by the Board of Directors on 4 August 2016. Members appointed by the Board of Directors on 02 May 2022.

(D) Committee established by the Board of Directors on 23 October 2017. Members appointed by the Board of Directors on 02 May 2022. On 22 February 2023, the Board of Directors appointed Fabiola Mascardi member and Chairperson of the Appointments and Compensation Committee, an appointment previously held by Lorenzo Parola.

(E) Appointment conferred by the Board of Directors on 22 February 2023.

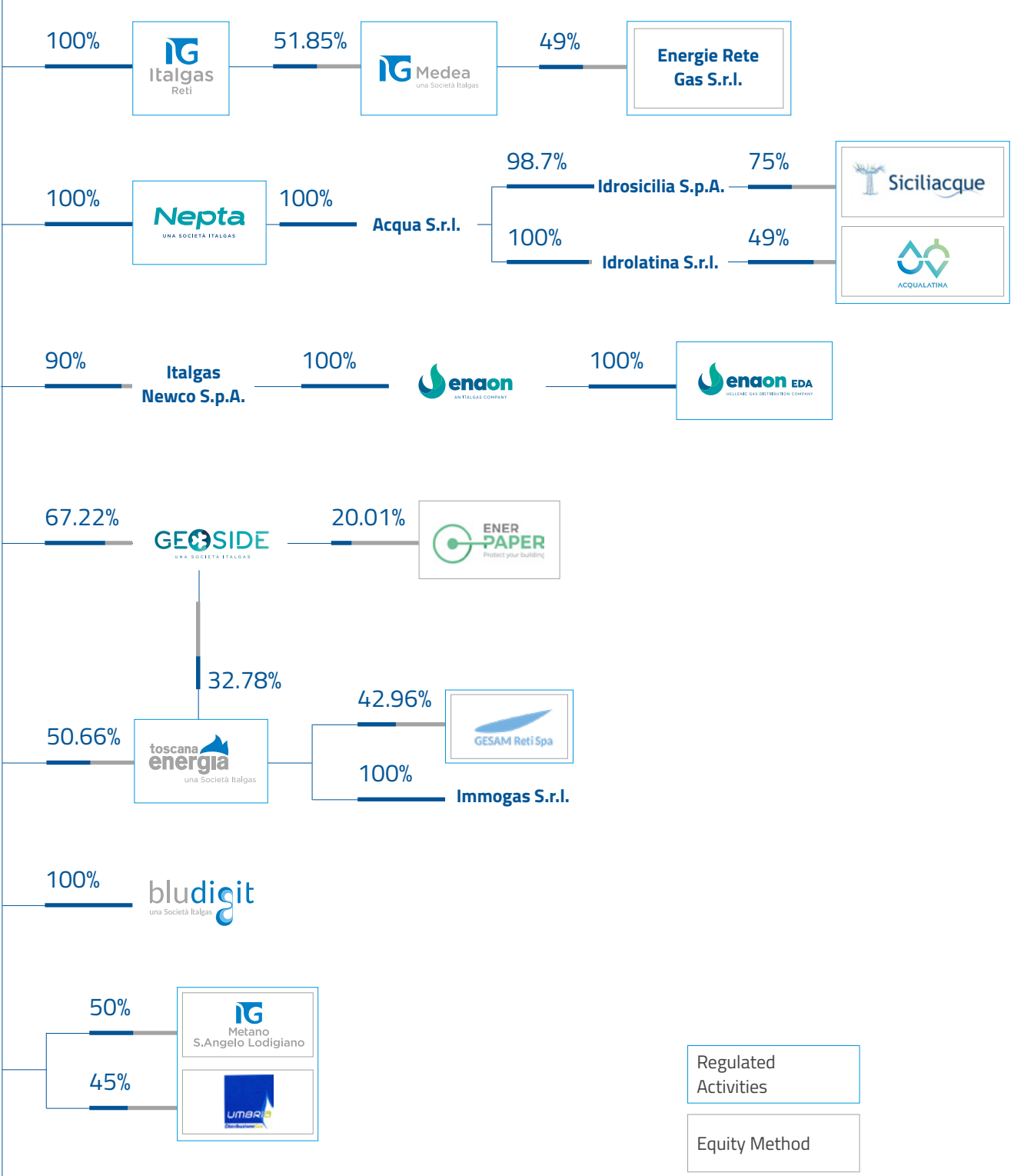
(F) Committee established by the Board of Directors on 4 August 2016. Members appointed by the Board of Directors on 02 May 2022. On 22 February 2023, the Board of Directors appointed Lorenzo Parola member and Chairperson of the Sustainable Value Creation Committee, an appointment previously held by Fabiola Mascardi.

(G) Appointment conferred by the Board of Directors on 22 February 2023.

(H) The Supervisory Body was appointed by the Board of Directors on 25 July 2022. In office until the expiry of the term of the Board of Directors that appointed it, i.e. the date of the Shareholders' Meeting that will be called to approve the financial statements for the year ending 31 December 2024. In accordance with the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001, the Supervisory Board continues to perform its functions *ad interim* until such time as the Board of Directors resolves to appoint the new Supervisory Board.

(I) Engagement assigned by the Shareholders' Meeting of 12 May 2020 for the period 2020 - 2028.

ITALGAS GROUP STRUCTURE AS AT 31 DECEMBER 2023



The structure of the Italgas Group as at 31 December 2023 changed, compared to that in place as at 31 December 2022, due to:

- the merger by incorporation of Janagas into Medea, with legal effect from 10 July 2023 and accounting and tax effects from 1 January 2023;
- the merger by incorporation of the Greek companies EDA Thess and EDA Attikis (operating companies of the DEPA Infrastructure Group) into DEDA, effective as at 30 September 2023; on 14 February 2024, the company name of DEPA Infrastructure was changed to Enaon and of DEDA to Enaon EDA;
- the acquisition, finalised on 16 October 2023, from the Veolia Group of the business unit to which the concessions held in Italy in the water sector belonged, which was merged into Italgas Acqua S.p.A., whose company name was changed to Nepta S.p.A..

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In order to facilitate the reading of this document, specific identification icons have been used for the minimum elements required by Legislative Decree 254/16.

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01

DIRECTORS' REPORT

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LETTER TO SHAREHOLDERS AND STAKEHOLDERS



Current events in recent years have called into question some of the main energy paradigms, demonstrating their fragility in a sometimes dramatic way. The crisis on the energy markets, the war in Ukraine and the resurgence of the crisis in the Middle East have all shown the central role of gas as an energy vector, which a certain type of narrative had tried to deny, and have forced us to look at the ecological transition through a different lens.

The transition to net zero is still a crucial goal, but no longer one that must be achieved at any cost, rather one that ensures energy security and cost sustainability for all citizens and for the industry competitiveness. A trilemma that has arisen from the often extreme conditions that we have had to face in recent years, and which has highlighted how energy security stems from greater diversification of sources, while business competitiveness depends on maintaining an adequate level of energy costs that benefit not only productive activities, but also households.

In this context, biomethane is the clearest example of a renewable energy source, already available, able to guarantee at the same time energy security (its production potential is such that in the REPowerEU it is indicated as the source that in the short term will have to replace 25% of the gas of fossil origin that the EU imported from Russia), decarbonisation of consumption (it is mainly produced from the humid fraction of waste and agricultural residues, able to guarantee zero or negative CO₂ if connected to CCS systems – Carbon Capture and Storage – to reuse it, for example, in the food sector) and competitiveness, especially with regard to medium-to-long-term costs (it activates a circular economy system that reuses almost everything and ends with the production of fertilisers).

However, despite all these advantages, to date no functional regulatory framework has been defined to promote it. A new legal framework should, first and foremost, result in a more effective distribution of costs between biomethane producers and the system. Today, 80% of the connection charges to the distribution network weigh on the biomethane producers and 20% on the system. These conditions are clearly not convenient for an entrepreneur. The country, however, stands to suffer a twofold loss because it will not have the gas that the entrepreneur would have produced, and in addition it will have to pay for the disposal of that waste.

In Europe there would be various models to strive for: from the Irish model, where 30% is paid in advance by operators, with the remaining 70% recovered through network charges over a period of 15 years; or the German model (Germany produces 1.2 billion cubic metres of biomethane per year), where the producer pays 25% of the connection fees and the system pays 75%.

A similar argument could be made with regard to biogas plants, which paradoxically still enjoy a series of incentives despite the fact that it is, in fact, a polluting source and destined to be used in very low-efficiency power stations. A paradox that should be resolved by remodelling these incentives and allocating them to the upgrading of these plants so as to free up our production potential which, at a European level, is considered a best practice. In fact, by 2030, it is estimated that our country can cover about 9% of current gas consumption with biomethane.

Italgas is at the forefront of efforts to unleash the great potential of biomethane, not only by facilitating connections, but also by guaranteeing the quality of the resource through our digital networks and by acting on regulation to introduce conditions that encourage the resource's development.

But the essential prerequisite for fostering the development of renewable gases is, as we reiterate and have been demonstrating for some time now, the digital transformation of networks that enables the creation of a smart, digital and agile network ready to receive and manage gases as diverse as biomethane, hydrogen and synthetic methane. In fact, integrated sensors allow real-time analysis of the resource and they become the determining factor for whether or not the resource is injected into the network.

It is guided by this vision that in Italgas we had already started the digital transformation of assets, processes and people in 2017, and we continue to invest following a programme that will soon lead us to become the first gas utility in the world with a fully digitised network.

We have become a benchmark in this regard, and through the advanced technology developed over the years we are working on the integration of renewable gases, promoting the diversification of energy sources, the decarbonisation of consumption and improving efficiency and cost-effectiveness, which is not a secondary aspect for a listed company with shareholders all over the world.

A technological advancement that we are transferring at a faster pace in our companies in Greece. Having worked on the frontier of innovation that had never been crossed by anyone else, in recent years we have acquired know-how that we are transferring at a rapid pace to our colleagues. The proof is also in the acceleration given to investments, which have grown immediately and significantly since Italgas joined Enaon.

Not just that. Since last October, with the closing of the transaction with the Veolia Environnement S.A. Group, we have begun to transfer the technology developed on the gas networks to the water sector as well, in the conviction that the digital upgrade will enable an immediate and important reduction in water losses in the order of 15-20 percentage points.

Moreover, water is among the most strategic sectors included in the NRRP. With more than € 4.3 billion, it represents one of the Plan's most important investment items, with which it aims to carry out interventions for new infrastructures, digitise existing ones, modernise the irrigation system, and make wastewater purification more efficient.

However, for this to happen, it takes organisations that are able to plan, execute and, above all, meet deadlines, because these funds carry a firm deadline: 2026. Only by taking care to respect it will it be possible to take action on a system that today loses on average more than 40% of the resource it distributes (with peaks of 70%) and without impacting on tariffs and therefore on household budgets.

Technological advancement, the ability to execute and a vision of development at the service of the country are, in this sense, strategic drivers capable of making the sector take an important leap forward. And they are also the added value that we, at Italgas, have chosen to bring by investing with conviction in the water sector to become one of the leading national operators.

In conclusion, the underlying assumption of our vision is that the digital transformation is a never-ending path, a continuous flow in which there will always be new technologies and new components that will allow the system to be further upgraded to improve the quality of service, create further efficiency while at the same time contributing to realising our idea of a "living" network, whether it distributes gas or water. A network capable of acting like our nervous system by reacting, centrally and locally, to changing service conditions. The technologies that can make a difference, in this sense, are those that can make the collection, interpretation and use of field data more and more effective, the circulation of information between the control centre, the plants and the networks, and everything that allows our management to become increasingly predictive.

A vision that is ever more concrete and real and that has contributed decisively to the development of performance and the continuous growth of economic and financial results, even at a time of great instability. A successful path that has contributed to the Group's evolution towards the form of the Network Tech Company: a company that manages networks and guarantees increasingly efficient and sustainable services by focusing on technological innovation, a driver of development towards a zero-emissions future.

With adjusted revenues of € 1,774.8 million (€ 1,817.5 million in the reported configuration) and a net profit attributable to the Group of € 439.6 million, 2023 confirmed the Group's steady growth trend. These are results achieved thanks to the contribution of all Italgas people, who have combined change, innovation and improvement, and which allow us to propose the distribution of a dividend of 0.352, an increase of 11% compared to 2022, to the satisfaction of our Shareholders.

BENEDETTA NAVARRA

Chairperson & Non-Executive
Independent Director



Benedetta Navarra

PAOLO GALLO

Chief Executive Officer and
General Manager



Paolo Gallo

2023 HIGHLIGHTS

CONSOLIDATED ECONOMIC AND FINANCIAL HIGHLIGHTS¹

1,774.8 ml €

Adjusted total revenues
+15.4% compared to 2022

1,183.7 ml €

Adjusted EBITDA
+9.3% compared to the 2022 result

681.2 ml €

Adjusted EBIT
+9.4% compared to the 2022 result

439.6 ml €

Adjusted net profit attributable to the Group
+11.1% compared to the 2022 result

906.5 ml €

Investments
814.3 million in 2022

555.2 ml €

Cash flow from operating activities²
808.5 million net of ESCo flow +22%

6,555.2 ml €

Net financial debt (excluding the effects of IFRS 16)
5,928.1 million on 2022

6,634.3 ml €

Net financial debt
6,000.1 million on 2022

0.352 per share

Proposed dividend
+11% compared to the dividend paid in 2023, equivalent to a 65% payout.

¹ For the economic and financial analyses for the financial year 2023, the company considered it more representative to comment on the adjusted results, i.e. the recurring results, comparing them with the adjusted recurring results for the financial year 2022.

² Net of the effects deriving from IFRS 15.

OPERATING HIGHLIGHTS³

+965 km

Distribution network laid during the year

for an overall length of approximately 82,034 km

2,050

Municipalities with gas distribution service concessions

(2,044 as at 31 December 2022)

of which 1,967 operating

(1,950 as at 31 December 2022)

6,300 km

of drinking water managed

2,600 km

of sewerage network managed

7 concessions

for the integrated water service

subsequently joined by the concession of Acqua Campania S.p.A. through the acquisition in January 2024

2.3 ml inhabitants⁴

served directly and indirectly in Lazio, Sicily and Campania

later increased to around 6.2 million inhabitants through the acquisition of Acqua Campania in January 2024

³ Considering the affiliates over which Italgas does not exercise control.

⁴ The figure includes the number of people served indirectly by Siciliacque, which is responsible for the water service in the region covering over 30% of the regional population of Sicily.

SUSTAINABILITY HIGHLIGHTS⁵

ITALGAS FOR THE FUTURE OF THE PLANET

150.3 10³ tCO₂ eqScope 1 and 2
+1.5% on 2022⁶129 10³ tCO₂ eqScope 3 supply chain
- 6.2% on 2022⁷

425.0 TJ

Net energy consumption
-11.6% on 20227,895 ml sm³Volumes of gas distributed
-4.11% on 2022

120%

Networks inspected annually for gas leaks
into the atmosphere⁸
Or 93,945 km

0.0538

Energy intensity⁹
-8.6% compared to 202272.8 sm³/kmFugitive emissions per km of network
-19.6% compared to 2022¹⁰

0.089%

Gas Leakage Rate¹¹
0.087% in 2022¹²

99.2%

Sending of waste produced by the Group for
recovery
97.6% in 2022¹³

97.3%

Sending of waste generated by contractors
94.5% in 2022¹⁴⁵ Highlights referring to the full scope of the Group's subsidiaries, against the consolidation of Enaon (formerly DEPA Infrastructure) for the period September–December in 2022 only.⁶ Scope 2 market-based. With the same GWP of methane used for the year 2022, total emissions would have decreased by -3.9% (GWP of methane for the year 2023 equal to 29.8, according to the Sixth Assessment Report from the IPCC AR6, equal to 28 for the year 2022, according to the Fifth Assessment Report from the IPCC AR5).⁷ Data relating to the Italian scope.⁸ Value calculated as the ratio between the linear extension of the networks inspected in the calendar year and the total extension of the Group's gas networks..⁹ Calculated as the ratio of total Group energy consumption and gas distributed..¹⁰ 2022 values calculated on the Italian scope only.¹¹ Calculated as the ratio of total Group energy consumption and gas distributed.¹² 2022 values calculated on the Italian scope only.¹³ 2022 values calculated on the Italian scope only.¹⁴ 2022 values calculated on the Italian scope only.

ITALGAS FOR THE FUTURE OF PEOPLE

28.8%

Women in positions of responsibility
as compared with 24.7% in 2022¹⁵

173,330 hours

of training delivered, of which 27,133 for
topics relating to digitisation
+30.9% on 2022

20.3%

Women in the company
as compared with 19.7% in 2022

ITALGAS FOR A SUSTAINABLE FUTURE TOGETHER

1,118 SMEs and start-ups

Innovative companies considered
for possible collaborations related to
digitisation, technological innovation,
energy efficiency, security and
sustainability of Group processes

90%

Suppliers potentially posing high
sustainability risks involved and trained
on ESG issues

¹⁵ 2022 values calculated on the Italian scope only.

METHODOLOGICAL NOTE – INTEGRATED ANNUAL REPORT 2023



OBJECTIVES OF THE DOCUMENT

The Italgas Group (hereinafter also referred to as “Italgas” or the “Group”) has presented the annual financial report in the form of an Integrated Annual Report (hereinafter also referred to as the “Report” or the “Integrated Report”) as a tool for the integrated reporting of financial and non-financial data. It consists of the Directors’ Report (with both financial and non-financial reporting), the Consolidated Financial Statements and the Separate Financial Statements of Italgas S.p.A..

By way of this document, the Italgas Group also aims to meet the requirements of Italian Legislative Decree 254/16, issued in order to “implement Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups”. Also, “to the extent necessary to ensure understanding of the business, its performance, results and the impact it produces, the document covers environmental and social matters, personnel-related issues, respect for human rights and the fight against active and passive bribery, which are important, considering the activities and characteristics of the company”.

The Integrated Annual Report makes it possible to provide stakeholders with an accurate, extensive and transparent report of the Group’s activities, the results achieved and their progress, in addition to the services provided.

A glossary of financial, commercial and technical terms, as well as units of measurement, is available online at <https://www.italgas.it/glossario/>

REFERENCE FRAMEWORK AND REPORTING STANDARDS

In relation to the financial information, the Italgas Integrated Annual Report was prepared using the following references:

- International accounting standards (IAS/IFRS).
- Italian Legislative Decree no. 58 of 24 February 1998, as amended (“Consolidated Finance Act” or “TUF”).
- Regulation (EC) No. 1606/2002.
- Italian Legislative Decree no. 25/2016, implementing European Directive 2013/50/EU.

Pursuant to Italian Legislative Decree 254/2016, the reporting of non-financial information is carried out “in accordance with the methods and principles required by the reporting standard used as a reference or by the independent reporting method used to prepare the statement”.

For this aspect, the Group used the following technical and methodological references:

- for reporting of the information required by Italian Legislative Decree 254/16, Italgas has adopted the “Global Reporting Initiative Sustainability Reporting Standards” (hereinafter “GRI Standards”) issued by the “Global Reporting Initiative” in 2016, as amended. In particular, according to the provision of the GRI Standard 1: Foundation, requirement 8, the Italgas Group prepared the document in accordance with the GRI Standards for the period 01.01.2023 - 31.12.2023 under

the in-accordance mode. The references to the GRI Standards reported on are contained in both the Integrated Annual Report and the table of indicators;

- the Integrated Annual Report refers to the Guiding Principles and Content Elements required by the International Integrated Reporting Framework (hereinafter also "IIRF" or "IR Framework"), issued by the International Integrated Reporting Council (IIRC) and updated in January 2022.

For the reporting related to the requirements of Legislative Decree 254/2016, a specific reconciliation table has been prepared that shows the issues required by the decree by correlating them to the paragraphs/chapters in which they are addressed in this document, the material topics, capital and, finally, the GRI indicators.

Where estimations were required in order to report particular data, this is specified in the description or in the notes to the table.

In addition, with reference to the requests for information correlated with European Taxonomy, the report is made in compliance with the provisions of the "Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088" as well as with the Delegated Acts applicable to it with reference to the date of publication of this document.

The document is published annually and is available on the website: <https://www.italgas.it/investitori/bilanci-e-presentazioni/>

To facilitate the reading of this document, specific icons have been used to identify the minimum elements required by Italian Legislative Decree 254/16 (Consolidated Non-Financial Statement, icon ● NFS)¹⁶.

Finally, it is noted that the Italgas Group will have to apply the new Corporate Sustainability Reporting Directive (CSRD) starting from the exercise beginning on January 1st 2024. In this regard, the Group started to map the information requirements required by the CSRD and the European Sustainability Reporting Standards (ESRS) in order to identify the information that will need to be integrated with reference to the 2024 exercise and define an action plan to ensure compliance with the new regulation.

REPORTING SCOPE AND PERIOD

The data and information reported in this Integrated Annual Report refer to the performance of the Italgas Group¹⁷ in the financial year ending 31 December 2023.

Changes in the scope of consolidation are illustrated under the Chapter entitled Italgas Group Structure as at 31 December 2023.

For the non-financial reporting, the quantitative data in this document refer, where possible, to the 2021, 2022 and 2023 financial years. This is to ensure comparison of the information with information from previous financial years, as required by Italian Legislative Decree 254/16, and also to comply with the comparability principle under the GRI Standards.

The reporting boundary of the non-financial data includes¹⁸:

- Italgas S.p.A., parent company with offices in Milan, Via Carlo Bo 11.
- Italgas Reti S.p.A.¹⁹, with offices in Turin, at Largo Regio Parco 11, whose core business is nationwide gas distribution.

¹⁶ Italgas is a member of the United Nations Global Compact (UNGC) programme. However, unlike previous years, this document is no longer the customary Communication On Progress, as it is now managed directly through the dedicated online platform made available by UNGC.

¹⁷ Please note that for the purposes of non-financial reporting in the Integrated Annual Report, the Italgas Group only includes companies over which Italgas exercises control and not also affiliates that are not subsidiaries, for which the operating data is stated. For the list of companies consolidated using the line-by-line method, see the details in point B) "Consolidated Financial Statements" as at 31 December 2023.

¹⁸ As indicated in the section "Italgas Group structure as at 31 December 2023", the structure of the Italgas Group as at 31 December 2023 has changed, compared to that in place as at 31 December 2022, due to the merger by incorporation of Janagas into Medea; the merger by incorporation of the Greek-registered companies EDA Thess and EDA Attikis with the subsequent change of the company name from DEPA Infrastructure to Enaon and from DEDA to Enaon EDA; the acquisition by the Veolia Group of the business unit responsible for the concessions held in Italy in the water sector, which merged into Italgas Acqua S.p.A., whose company name was changed to Nepta S.p.A.

¹⁹ <https://www.italgas.it/en/group/companies/italgas-reti/>

1 DIRECTORS' REPORT

- Medea S.p.A.²⁰ (a subsidiary of Italgas Reti S.p.A.), with offices in Sassari, at Loc. Predda Niedda strada 1 angolo strada 2, whose core business is the distribution of natural gas and propane air in the Sardinia region.
- Nepta S.p.A.²¹, with offices in Caserta, at Via Falco 31, whose core business is water distribution in five municipalities of the Campania region.
- Enaon Sustainable Networks Single Member Société Anonyme²² with registered office at Mesogeion Avenue 109-111, Athens, the holding company of a group whose core business is gas distribution in Greece through Enaon Eda Hellenic Gas Distribution Company Single Member Société Anonyme²³.
- Geoside S.p.A.²⁴, with offices in Bologna, at Via E. Cristoni 88, an Energy Service Company (ESCO) providing consulting services and technological and financing solutions in the energy efficiency sector.
- Toscana Energia S.p.A.²⁵, with offices in Florence, at Piazza E. Mattei 3, whose core business is gas distribution primarily in the Tuscany region.
- Bludigit S.p.A.²⁶, with registered office in Milan, at Via Carlo Bo 11, whose core business is tied to the management of the Italgas Group business and assets in the IT area and the creation of a commercial offer of IT services.

Acqua S.r.l. (a subsidiary of Nepta S.p.A.), Italgas NewCo S.p.A. and Immogas S.r.l. (a subsidiary of Toscana Energia S.p.A.), based on the activities performed, do not have a significantly material effect for the purposes of the Consolidated Non-Financial Statement.

The figures in the Consolidated Non-Financial Statements for Enaon and its subsidiary Enaon EDA reflect the effects of consolidation as at 1 September 2022, unless specifically stated for 2022 only.

Data relating to Janagas S.r.l. is not included in the 2022 non-financial reporting boundary insofar as the completion of acquisition of control took place in December 2022 and has no significantly material effects on the report.

Any exceptions to the criteria set out above are detailed in the individual sections of the document in the form of a footnote to a table or page.

REPORTING PROCESS

Preparation of the Italgas Integrated Annual Report involved cross-the-board engagement of all Italgas Group companies, departments and divisions and the performance of the following activities:

- identifying the reporting scope for financial and non-financial information;
- preparing and updating the materiality analysis, including through stakeholder engagement;
- collecting the qualitative and quantitative data to be reported, with the direct engagement of the company divisions/units in charge of such data;
- consolidating the data and preparing the draft Integrated Annual Report;
- approval on 12 March 2024 by the Board of Directors of the Integrated Annual Report and the draft financial statements for the year ended 31 December 2023 and subsequent approval, on 6 May 2024, by the Shareholders' Meeting, of the Financial Statements;
- the issuance of reports by the independent auditing firm appointed.

More specifically, the following independent auditors' reports contain the results of the audits conducted by Deloitte & Touche S.p.A:

²⁰ <https://www.italgas.it/en/group/companies/medea/>

²¹ <https://www.italgasacqua.it/nepta/>

²² <https://enaon.italgas.it/>

²³ <https://edaattikis.gr/>

²⁴ <https://www.geoside.com/>

²⁵ <https://www.toscanaenergia.eu>

²⁶ <https://www.italgas.it/en/group/companies/bludigit/>

- Report in accordance with Article 3, paragraph 10 of Italian Legislative Decree no. 254 of 30 December 2016 and Article 5 of CONSOB Regulation no. 20267/2018, drawn up in relation to non-financial information reporting in the document.
- Reports in accordance with Article 14 of Italian Legislative Decree no. 39 of 27 January 2010 and Article 10 of Regulation (EU) No 537/2014, drawn up in relation to the financial information in the Consolidated Financial Statements and Separate Financial Statements.

MATERIALITY ANALYSIS

The structuring of the contents for the non-financial reporting – as per Legislative Decree no. 254/16 (hereinafter “NFS”) – which is part of the Integrated Annual Report, is developed starting from the analysis of material issues, i.e. those considered to have the highest impact for the Group, considering not only the minimum elements indicated by Legislative Decree no. 254/16 (Article 3, subsection 1), but also the business model, the characteristics and the expectations of the Company’s stakeholders.

Italgas updates the materiality analysis on an annual basis, taking into account stakeholder requests, changes in the regulatory environment, the Group’s strategy and any drivers capable of significantly affecting its capacity to generate value in the short, medium and long term.

For 2023 reporting, the Group conducted a specific assessment of the external environment and its strategy. Since no significant organisational, strategic and contextual changes were identified during the 2023 financial year that would impact the materiality of sustainability issues, the Group confirmed the validity of the results of the materiality analysis conducted in the 2022 financial year, with reference, therefore, to both Impact Materiality (impacts generated, inside-out perspective) and Financial Materiality (impacts suffered, outside-in perspective), so it was not necessary to make any significant changes to the contents of the 2023 non-financial reporting.

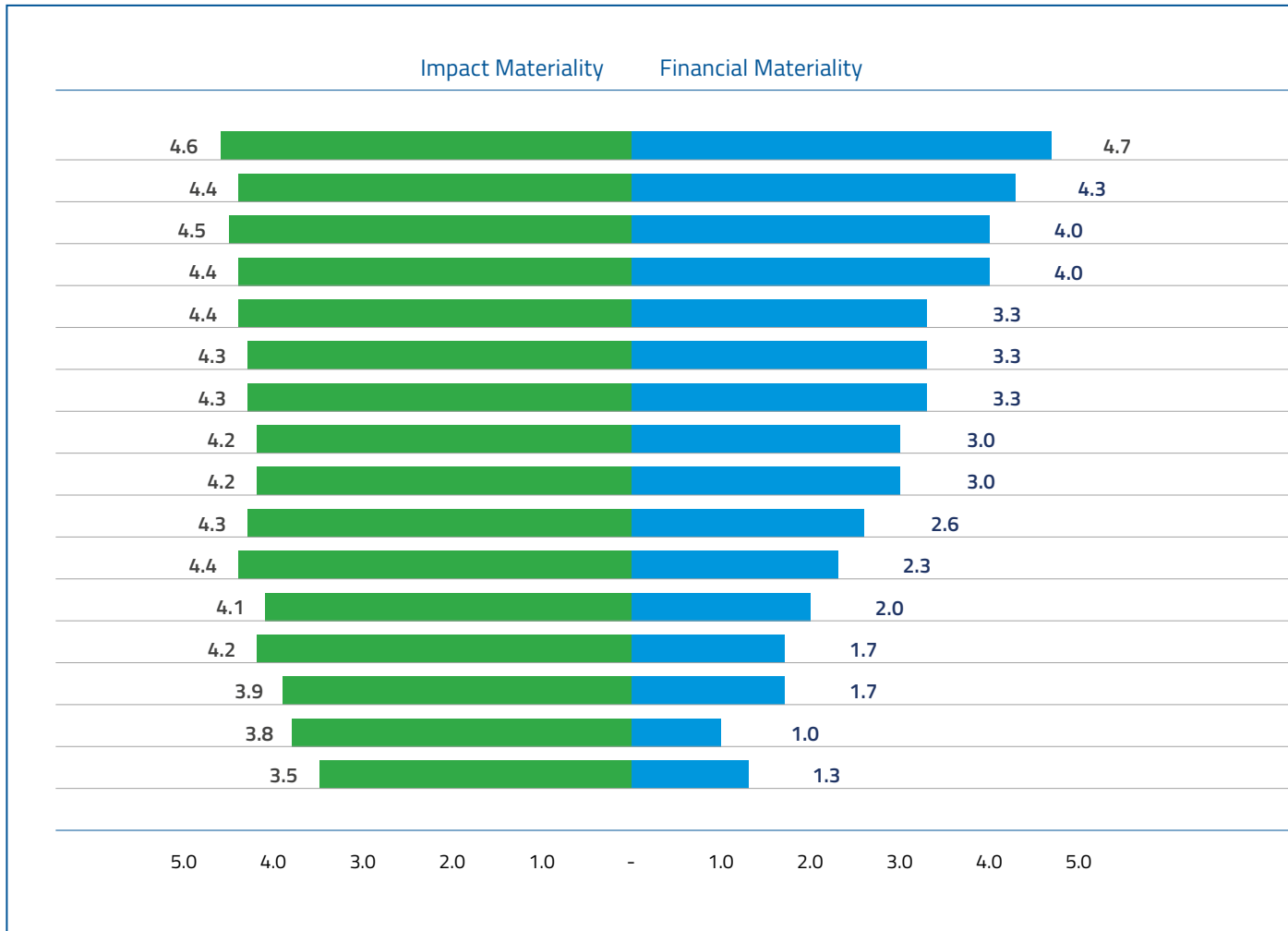
For the sake of completeness, however, the steps that led to the processing of the materiality matrix are summarised below:

- Identification of impacts generated by Italgas and updating of material topics.
- Evaluation of material topics from the point of view of the impacts generated by the Group.
- Involvement of Top Management to explain the findings.
- Evaluation of the impacts suffered by the Group from a Financial Materiality perspective²⁷.

At the end of the entire process to collect and summarise the contributions made for Impact and Financial Materiality, which involved the Group’s main stakeholders and Top Management (also involved in the 2023 review), the following summary view was obtained of the main impacts generated and suffered related to Italgas’ material issues²⁸:

²⁷ In the absence of definitive standards, the Financial Materiality concept was not audited.

²⁸ In the topic “Ecosystem and Biodiversity Management”, the aspects relating to the management of water resources and biodiversity are, in their individual meanings, not deemed relevant to Italgas’ core business (it should be noted that the Group is not required, for its gas and water distribution activities, to carry out an environmental impact assessment pursuant to Directive 2011/92/EU). With reference to water resources, since 2018, Italgas carried out an environmental analysis that showed that, considering the size of the volumes of water withdrawn, the type of use made of the water (hygiene-sanitary or fire-fighting uses) and the geographical location of the Italgas Companies, the impacts on the water resource are considered negligible; moreover, the incidence of the business on the total Group revenues of the company Nepta, whose only activity is the distribution of drinking water, is less than 1%. Despite this, as evidence of the fact that the aspect is in any case monitored and supervised, the above section sets out the withdrawals, discharges and consumptions of the Group, in compliance with the requirements of Italian Legislative Decree no. 254/16. Finally, impacts on biodiversity were also considered negligible, in light of the fact that the Group operates predominantly in an urban environment (from “city gate” to meter, see section “Biodiversity”, Chapter 8.1).



The annex NFS “Impacts and Material Topics” also shows the correlation of each topic with its relevant impacts (positive and negative, actual and potential) on the economy, environment and people²⁹.

Continuous dialogue with stakeholders is a priority for the Group, allowing it to constantly monitor the level of satisfaction of a company’s work. It is also a chance to gather useful insights in order to improve the quality of services and operational and management models. Italgas adopts diversified and flexible dialogue and involvement practices, in response to the various characteristics and needs of its stakeholders.

²⁹ Section 3.2 Risks Management also shows the correlation between risks and material issues.

Neworks digitalization and innovation

Energy transition and fight against climate change

Safety of network, assets and people

Cybersecurity

Quality of services and customer satisfaction

Economic value generation and ESG finance

Network development

Protection, inclusion, enhancement and well-being of human resources

Compliance, transparency and fight against corruption

Responsible governance and risk management

Sustainable management of the supply chain

Respect for human rights

Adoption of circular economy principles

Dialogue and value creation on territory

Management of ecosystems and biodiversity

Corporate identity (founding corporate values, historical legacy)

The stakeholder categories identified and stakeholder engagement activities carried out in 2023 are set out below.

Stakeholder category	Stakeholder interaction methods
Investors and lenders	Periodic financial reports and conference calls about these; presentation of the business plan; shareholders' meeting; physical and on-line meetings and conference calls with analysts and investors, also focusing specifically on SRI and ESG matters, corporate website, social networks.
Suppliers	Dedicated meetings, supplier conventions; information and training initiatives, regular thematic engagement activities.
Customers and sales companies	Direct, ongoing relationship with the sales personnel through dedicated dialogue channels; conventions, periodic workshops with sales companies; interactions with end customers through the customer portals; customer satisfaction surveys.
Authorities and Associations	Periodic meetings, continuous dialogue and workshops for debate, and discussion of sustainability topics on an Italian and international level.
People	Training events; periodic meetings; annual meetings to discuss career development paths; regular e-mail communication; newsletters; company environment analyses; company Intranet.
Communities and local areas	Meetings with representatives of local communities, associations and organisations; social and cultural initiatives.

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THE ITALGAS GROUP VALUE CREATION PROCESS

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1. THE ITALGAS GROUP VALUE CREATION PROCESS

1.1 CORPORATE IDENTITY

Italgas is the leading gas distributor in Italy and Greece and the third in Europe: with its affiliates³⁰ and the work of 4,341 people at the various offices across Italy and Greece, it manages 82,034 kilometres of gas distribution network, through which, in 2023, it distributed approximately 8,000 million cubic metres of gas to 7,974 thousand users. In Italy, the Group holds 1,905 distribution concessions, with a historical presence in Italy's main cities, including Turin, Venice, Florence and Rome, and a market share of over 33%. Italgas holds distribution licences in 145 Municipalities in Greece, of which 106 are already in operation.

With more than 185 years of history, Italgas is unanimously acknowledged as the company that has brought gas into Italian homes, contributing towards the country's social and economic development.

Italgas has always had a firm focus on the future, aware of the role its infrastructure plays and will play in supporting the energy transition, guaranteeing the country's energy security. Through the major investment plan announced in June 2023 (Strategic Plan 2023-2029), the Group continues with the development of gas distribution assets and activities in Italy and Greece, energy efficiency activities and the development of the water sector.

Since the acquisition of Depa Infrastructure (now Enaon) in September 2022, the implementation of the Italgas Group's business development plan in Greece has continued at a rapid pace. In 2023, 600 kilometres of "digital native" networks were laid with more than 23,000 new connections to the network among residential, commercial and industrial users. Special attention was also paid to the repurposing of the existing network and the digital transformation of assets and processes, including the installation of over 32,000 smart meters. From 2025, moreover, the installation of Nimbus, the latest generation "H2 ready" smart meter with numerous functionalities, developed in-house by the Italgas Group, will also begin in Greece.

In addition, with the recent acquisition from the Veolia Environnement S.A. Group of the business unit headed by the concessions held in Italy in the water sector, Italgas is also becoming a key player in the water sector and, thanks to the advanced technology achieved on gas networks, is evolving more and more towards the form of a "Network Tech Company".

THE GROUP'S BUSINESS

The core business of Italgas is focused on gas distribution, which it carries out as part of the wider national system, involving the distribution of gas on behalf of sales companies authorised to sell the gas to end customers. In addition to the delivery service, carried out using the local pipeline networks from the city-gates (reduction and metering stations interconnected with the

³⁰ The following reported data refer to the Group only: 4,297 employees, 80,136 kilometres of network, 7,707 million cubic metres of gas distributed, 7,821 million users, holders of 1,989 concessions.

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transmission networks), the company carries out metering activities, which include the collection, processing, validation and provision of consumption data in order to regulate commercial transactions between operators and users.

The operations for the gas distribution business are managed by:

- Italgas Reti S.p.A. operating nationwide.
- Toscana Energia S.p.A. operating in the Tuscany region.
- Medea S.p.A. operating in Sardinia.
- Enaon, through its subsidiary Enaon Eda operating in Greece.

In Italy, Italgas is subject to regulation by the Italian Regulatory Authority for Energy, Networks and Environment (also referred to as the Authority or ARERA), which defines both how to conduct the service and the rates for distribution and metering. The gas distribution business is carried out under concession. A similar regulatory activity is carried out in Greece by the public body appointed for this purpose (RAEWW).

The Italgas Group also operates:

- in energy efficiency through Geoside S.p.A., its ESCo (Energy Service Company) specialised in energy consulting and the supply of energy services to both the private residential and industrial sector and the public administration sector;
- in the management of the integrated water service of five Municipalities in Campania through Nepta S.p.A., on a concession basis, and 38 Municipalities in ATO 4-Lazio Meridionale through Acqualatina S.p.A. In addition, it is responsible for the collection, storage, potability and adduction service in the Region of Sicily through Siciliacque S.p.A. With the acquisition of a 47.9% stake in Acqua Campania in January 2024, it also carries out activities in the collection, purification, adduction and transportation of drinking water in the Campania region;
- in Information Technology through Bludigit S.p.A., the company in which all the Group's IT assets are concentrated, offering proprietary cutting-edge digital solutions, making the competences and applications developed in-house available to other operators too, both in the energy sector and other sectors.



1.2 BUSINESS MODEL

● NFS

The operations of the Italgas Group are included in the business model. Below are the key processes of these operations:

Figure 1 - Representation of the Italgas Group value chain

VALUE CHAIN MODEL

	DEVELOPMENT ACTIVITIES	OPERATIONAL ACTIVITIES
	Business process - Gas distribution and metering Acquisition of Licence Portfolio	> Management of concessions and construction of networks
	Business Process - Integrated Water Service Development of services offered and territories served	> Collection and filtering
	Business Process - Energy efficiency Design of energy efficiency services for companies/buildings and digital services	> Development of services
	Business Process - IT Services Design and management of innovative IT services and products for businesses	> Project implementation Development of IT services and products Implementation and delivery of services

Responsible governance, stakeholder engagement, risk management and accountability are key, essential elements of all the above activities and processes (see "Governance, risks and opportunities" section).

COMMERCIAL ACTIVITIES		
> Metering	> Ancillary Services	> Management of relations with Sales Companies and ARERA
> Management and construction of networks	> Management of metering	> Management of the contract with the end customer
> Analysis of results obtained also shared with the customer	> Offer and sale of services to the customer	
> Analysis of results obtained involving customers and continuous improvement of product and service catalogue	> Lead generation, sales and after-sales of project, products and services to customers	

1.3 EXTERNAL CONTEXT, MARKETS AND ITALGAS STOCK

The consequences caused first by the price shock in the energy markets and then by the ongoing conflicts have accelerated a series of evolutions in the companies' vision and way of operating, forcing them to adapt rapidly to change and to streamline their production processes in order to reduce consumption. In this scenario, Italgas showed exceptional resilience by guaranteeing service continuity for all the customers it serves, also thanks to the digital transformation of processes, assets and people, launched back in 2017. With 28 consecutive quarters of growth since its return to the stock exchange, Italgas has shown itself capable of continuing its development and transformation, supporting the country's economic fabric, contributing to the economic recovery thanks to important investments, playing a lead role in the energy transition.

MACROECONOMIC SCENARIO AND MARKET TRENDS

Inflation trends, which also weakened as a result of the correction in gas and electricity commodity prices, and expectations about Central Banks' policies to contain it were two of the most important factors in the performance of European and US financial markets during 2023. Despite the growing geopolitical pressure, in the latter part of the year macro-resilient data and rising expectations of peaking interest rates supported these equity markets, which closed the year on the upside, reaching new highs. On the other hand, the Chinese markets were negative, which saw huge outflows of foreign capital on lower-than-expected growth and fears regarding the real estate market.

On the monetary policy side, in the first months of the year the Central Banks continued the monetary tightening phase that began in 2022: between January and July, the FED raised rates by 100 bps bringing the Fed Fund Rate (interbank rate) to 5.25-5.50% while between January and the beginning of August the ECB raised rates by 200 bps, bringing the refinancing rate to 4.5% and the deposit rate to 4.0%. The equity markets, which had performed well until the beginning of August, subsequently entered a bearish phase, which ended with the month of October, due to fears of further rate hikes and/or the maintenance of current high levels over the long term, signs of inflation resilience, increased geopolitical risk and fears of possible negative actions by rating agencies. This phase peaked in the second half of October when 10-year US and Eurozone rates peaked at 4.99% for the US treasury, 2.97% for the Bund and 4.98% for the BTP on the 10-year maturity, up 112 bps, 40 bps and 28 bps respectively from their levels at the beginning of the year. Subsequent comments by members of the FED and the ECB, especially in December, supported growing expectations that the Central Banks' bullish phase had come to an end, thanks also to favourable economic data, including still declining inflation.

During the year, the commodities market was characterised by the retracement of gas prices from their 2022 peaks, and consequently electricity prices. Finally, the TTF closed down by more than 55% at € 32/MWh. The year 2023 was characterised by a relatively mild winter and autumn, compounded by increased LNG supplies and lower demand induced by both the high prices in 2022 and the containment measures adopted by the EU. All this was reflected in a storage level during the year that remained well above the average of the previous five years.

By contrast, the price of oil remained substantially unchanged. After a correction in the first part of the year on fears of an economic slowdown induced by monetary tightening and a weaker than expected Chinese recovery, oil prices hit highs at the end of September on the announcement of further production cuts by Russia and Saudi Arabia, following those already announced by OPEC+

in the previous months. However, the rebound dissipated in the following weeks as fears of an economic slowdown emerged in the markets.

With the performance of the main energy commodities, Eurozone inflation fell from 9.2% in December last year to 2.9% in December, and the US equivalent fell to 3.4% in December from 6.5% a year earlier.

Currencies saw little change, despite volatility during 2023, the EUR/USD ended the year with a 3% appreciation (1.1039 vs 1.0705) while the EUR/GBP saw a 2% correction (0.86691 vs 0.88534).

2023 TREND AND ITALGAS STOCK

During 2023, the Euro Stoxx stock index appreciated by +19.5% while the US S&P 500 index rose by +26.3%, both with prices adjusted for the detachment and reinvestment of dividends (total shareholder return).

At the country level, with a rise of 34.3%, the FTSE MIB was the best performing national index in Europe, partly due to its greater exposure to the banking sector, which benefited from the rate hike. The FTSE MIB was followed by the Ibex 35 in Madrid (+28.1%), the DAX in Frankfurt (+20.3%) and the CAC in Paris (+20.1%).

At sector level, the Euro Stoxx Utilities rose 14.7 %, underperforming the European market. During the year, integrated operators outperformed the sector on average, supported by the normalisation of commodity prices and the consequent recovery of trading margins after the previous year’s weakness. Conversely, the decline in margins and prices from electricity generation negatively impacted renewable companies and generators, which are more exposed to price trends.

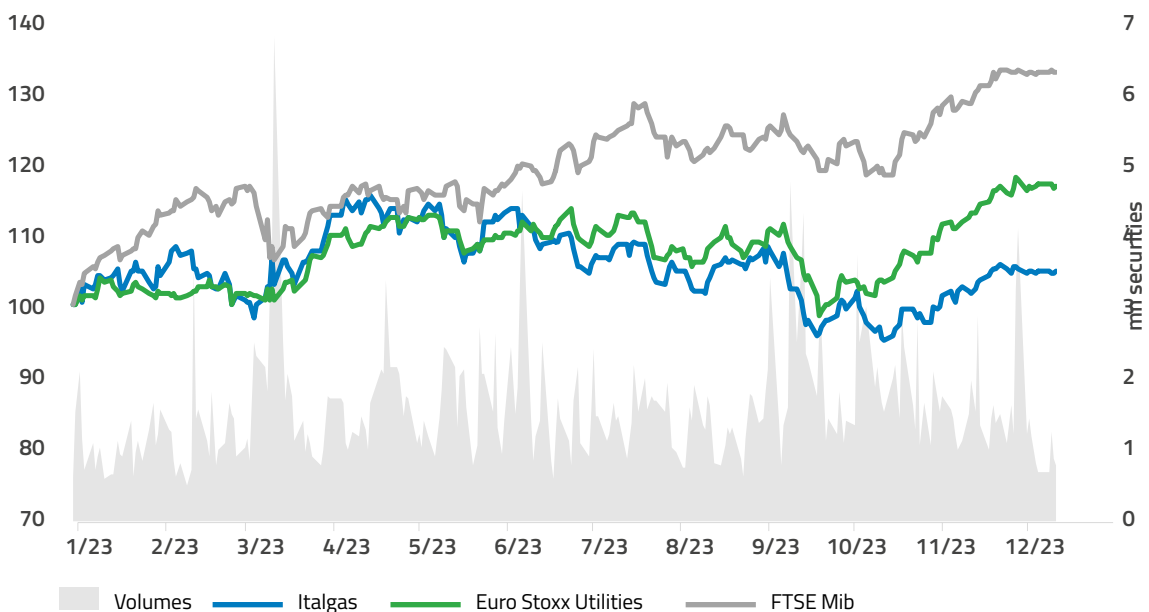
In terms of the other Eurozone sectors, the Retail sector (+40.8%) was among the best performers, followed by Construction (+36.2%) and Technology (+34.5%), the latter driven by general positivity about potential developments in artificial intelligence. Among the worst performers in 2023 were pharmaceuticals (+0%), after warnings from some of the biggest operators in the sector, Food & Beverage (2.2%) and Basic Materials (+2.6%) due to declines in raw materials.

Italgas shares closed 2023 at € 5.18, up 5.6%, adjusted for the ex-dividend per share of € 0.317 in May. From the date on which it was listed in November 2016 to the end of 2023, the total shareholder return is 81.5%.

During the year, the average daily trading volume of the Italgas stock on the electronic market of the Italian Stock Exchange was around 1.5 million shares.

Comparison of the quotes Italgas, FTSE MIB and EURO STOXX Utilities

(1 January 2023 - 31 December 2023, figures adjusted for dividends)



1.4 OWNERSHIP STRUCTURE

The share capital of the Company as at 31 December 2023 consisted of 810,745,220 shares without par value, giving a share capital value of € 1,003,227,568.76.

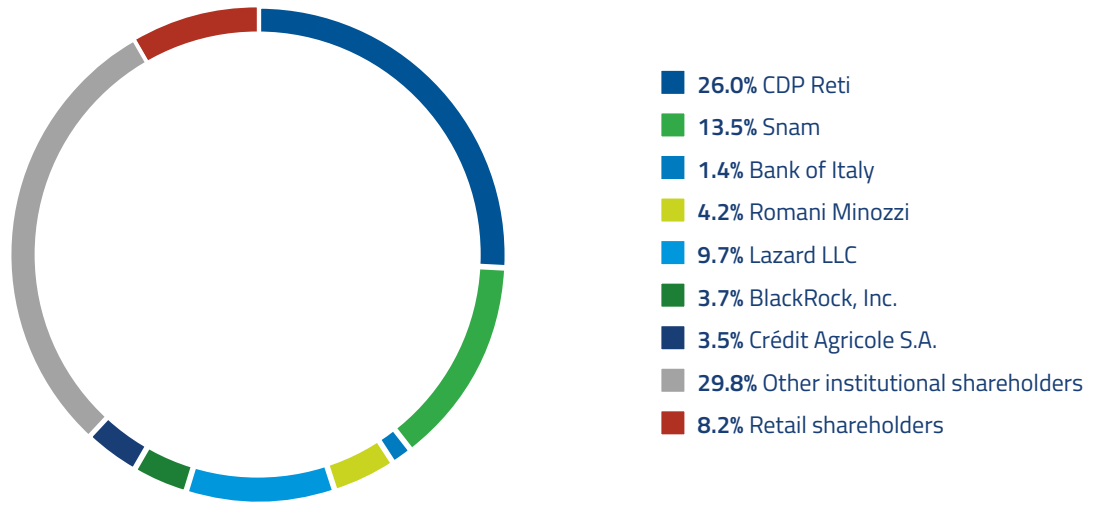
As at 31 December 2023, based on the shareholders' list, the information available and the notices received pursuant to Article 120 of the Consolidated Finance Act, the owners of significant equity investments re represented below.

CONSOLIDATING COMPANY	SHAREHOLDERS	% OWNERSHIP
Italgas S.p.A.	CDP Reti S.p.A (*) (**)	25.99
	Snam S.p.A.	13.47
	Lazard LLC	9.7
	Romano Minozzi	4.22
	Blackrock Inc.	3.7
	Crédit Agricole S.A	3.5
	Bank of Italy	1.4
	Other institutional shareholders	29.8
	Retail shareholders	8.2

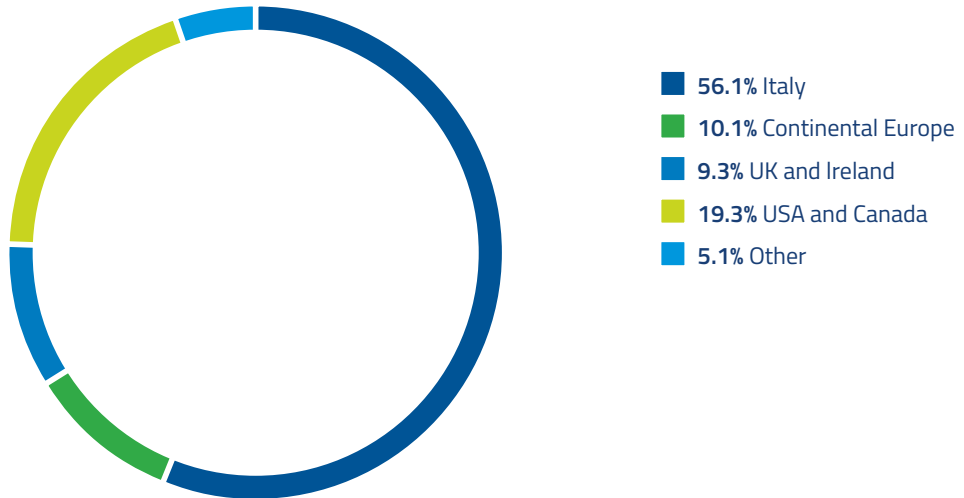
(*) On 1 August 2019 the Board of Directors of CDP S.p.A., also with a view to considering the control guidelines contained in Consob Communication no. 0106341 of 13 September 2017, reclassified its equity investment in Italgas as de facto control pursuant to Article 2359, subsection 1, no. 2) of the Italian Civil Code and Article 93 of the CLF, exercising control through CDP Reti with, at the time, a 26.05% equity holding and through Snam with, at the time, a 13.50% equity holding. CDP does not exercise management and coordination activities over Italgas pursuant to Article 2497 et seq. of the Italian Civil Code.

(**) A shareholders' agreement between Snam, CDP Reti and CDP Gas was signed on 20 October 2016, effective from the date of the demerger of Italgas S.p.A. on 07 November 2016. With effect from 1 May 2017, CDP Gas was merged into CDP. Subsequently, on 19 May 2017, CDP sold to CDP Reti, inter alia, its equity investment in Italgas S.p.A., equal to 0.969% of Italgas S.p.A.'s share capital. CDP Reti is 59.1% owned by CDP, 35% by State Grid Europe Limited - SGEL, a company of the State Grid Corporation of China group, and 5.9% by a number of Italian institutional investors. On 1 August 2019, the shareholders' agreement was further updated to take account of the aforementioned re-qualification of the shareholding. The shareholders' agreement is for three years and is automatically renewed for further three-year periods, unless one of the parties gives 12 months' notice. Given such forecast, in November 2019 and November 2023 the shareholders' agreement was renewed.

Italgas Shareholders by type of investor

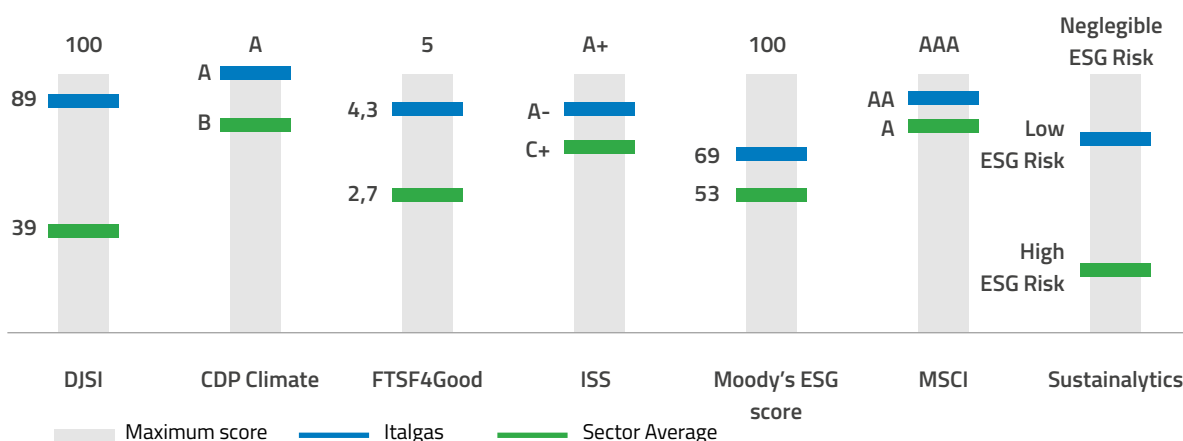


Italgas Shareholders by geographical area



1.5 SRI INDEXES AND RATINGS³¹

The integration between the Strategic Plan and the Sustainable Value Creation Plan is reflected in the commitment to improving all aspects of sustainability, from combating climate change to generating value for stakeholders, including shareholders, and local communities. During 2023, the Group's efforts continued to be recognised by the promoters of sustainability ratings. Italgas continues to position itself at the top of the industry, and this is positively reflected in the number of SRI indices of which its shares are part.



In terms of results achieved, in December, Italgas was confirmed for the third consecutive year in the Dow Jones Sustainability Index Europe and for the fifth consecutive year in the Dow Jones Sustainability Index World. With a rating of 89 points out of 100 (score date 24 November 2023), Italgas was ranked first in the Gas Utilities Sector in the S&P Global Corporate Sustainability Assessment (CSA) for the second year running. Furthermore, in February 2024 Italgas was also reconfirmed in the Sustainability Yearbook and included in the "Top 1% S&P Global ESG Score" category.

Italgas continues to be recognised by the CDP (Carbon Disclosure Project) among the companies that stand out internationally for the strategies and actions implemented to combat climate change. In 2023, the Italgas Group was confirmed in the "A-list", among the leaders in the fight against climate change (result based on data acquired through the "Climate Change 2023" questionnaire).

Since 2017, Italgas stock has been included in the FTSE4Good index series. The 2023 review resulted in a sustainable performance rating for Italgas of 4.3 points (out of a maximum of 5), an improvement on the previous score of 4.2, placing Italgas above the average of Italian companies and above the average for its sector internationally.

In April 2023, Italgas confirmed its AA rating in the annual MSCI ESG Ratings and in September 2023 ISS (Institutional Shareholder Services) confirmed the A- score and Prime rating status for Italgas in the ISS ESG Corporate Rating. ISS conducted a thorough review of the Group's sustainability performance and commitments, assigning Italgas a score of 78.94 points: the highest in its sector. The analysis by ISS focused on the management by companies of ESG matters, based on various criteria, most of which are specific to the sector to which they belong.

In August 2023, Sustainalytics confirmed Italgas' low risk rating. Italgas received an ESG Risk Rating of 16.9 and was rated at "Low Risk" of suffering material financial impacts from ESG factors: the latter is in line with the result obtained in 2021 and 2022.

³¹ Socially Responsible Investing (SRI).

In October 2023, Moody's ESG Solutions recognised Italgas' commitment to sustainability, confirming its "Advanced" rating and improving the assigned score by one point compared to the previous year. The trend was mainly driven by the actions implemented and the additional commitments made by the Group in the environmental, social and governance fields. In the same month, GRESB also confirmed its A rating for Italgas in the 2023 GRESB Public Disclosure Report, for the quality of ESG disclosure.

As of October 2021, Italgas' stock was included in the MIB ESG Index, the first blue-chip index for Italy dedicated to Environmental, Social and Governance (ESG) best practices of Borsa Italiana. Italgas is also listed in the two Euronext Eurozone ESG Large 80 and Euronext Vigeo Europe 120 Indexes. Italgas shares are also included in the MSCI ESG, Bloomberg, Morningstar, Stoxx and EuroStoxx indexes as well as those of other operators.



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STRATEGY AND FORWARD-LOOKING VISION

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2. STRATEGY AND FORWARD-LOOKING VISION

2.1 REFERENCE SCENARIO: THE KEY ROLE OF GAS IN THE ENERGY TRANSITION

The strategic choices made by the Group in recent years have anticipated the approach of national and EU institutions towards decarbonisation and the containment of climate-changing gas emissions.

The 2050 Net-Zero target, set by the European Union as part of the Green Deal, and the further drive to combat climate change, reduce greenhouse gas emissions and diversify energy sources – brought about by the European Commission's REPowerEU plan and, before that by the Fit-for-55 package – now place individual states under an obligation to accelerate the energy transition, as the need to reduce dependence on Russian fossil fuels has prompted the European Union to define urgent measures for security of supply, diversification of sources, use of renewable energy and energy efficiency. The REPowerEU Plan (2022) updated previously established targets regarding the penetration of renewable gases in the European energy mix. The new target is 35 billion cubic metres of biomethane and 20 million tonnes of hydrogen in energy supplies by 2030, respectively two and four times the target set in the "Fit-for-55" package (2021).

Gas infrastructures, thanks to their low carbon footprint, their extension and coverage over the territory and the flexibility they can provide to the system, will play a key role in decarbonisation, supporting in the short term the phase-out from carbon, lignite and oil and, in the medium-long term, the gradual replacement of fossil gas with renewable gases (biomethane, green hydrogen and synthetic methane).

The scenarios presented by Snam-Terna (2022) focus on the Italian context and project the evolution of the energy mix to 2030 and 2040, with an overall stability of gas demand in the decades to come. This stability is supported by a gradual transition to green gas, with biomethane playing an increasingly significant role in the decarbonisation of the residential sector. The share of gas in Italy's final energy mix is projected to remain around 30%, in line with the historical figure.

In the Greek context, DESFA's Development Plans for the period 2022-2030 are taken into account. According to this scenario, a strong increase in gas demand in the country is expected due to the planned network extension works. In particular, gas volumes in the Greek distribution network are expected to increase by 35% in 2030 compared to 2022. The share of gas in the final Greek energy mix is projected to grow to around 20%, more than double the historical figure.

In 2023, the Italian and Greek governments submitted to the European Commission the updated version of the INECP (Integrated National Energy and Climate Plan), the document that sets national targets for 2030 in terms of energy efficiency, renewables, and CO₂ emissions reduction, as well as those related to energy security and interconnectedness. In both documents, the role of distribution networks as carriers of renewable gas is considered strategic, stressing the importance of developing CO₂ capture and storage technologies.

2.2 THE STRATEGY MAP

The Strategic Plan and the 2023-2029 Sustainable Value Creation Plan are two fully integrated documents, whose objective is to ensure not only that the Group's business model generates economic value, but also that it allows the preservation and regeneration of the capital employed, maintaining financial stability and ensuring adequate returns to its shareholders.

The 2023-2029 Strategic Plan – which, as outlined in the 2022-2023 TCFD Report “Driving innovation for energy transition”³² also represents Italgas' transition plan – envisages investments of € 7.8 billion, to enhance the development and digital transformation of assets, consolidate its position in Greece and establish itself as a leading player in the water distribution and energy efficiency sectors, while maintaining a leading role in achieving the climate objectives of the European Union. Making further progress in the decarbonisation of the gas sector through the development of renewable gases will improve the agility and resilience of the entire energy system.

The Group orients itself through well-defined strategic paths that set the course for achieving short- to medium-term goals, involving both the evolution of the gas distribution business model and development in related sectors, with a constant focus on reducing greenhouse gas emissions.

Our paths:

- **Gas distribution:** consolidating and developing the gas infrastructure in Italy and Greece, maintaining the highest standards of safety and efficiency, with a strong commitment to the creation of a fully digitised network, ready for the distribution of renewable gas and, therefore, serving the ecological transition.
- **Energy efficiency:** proposing advanced and innovative solutions to optimise energy use, promoting sustainable energy practices and reducing the overall environmental impact of its customers and the Group as a whole.
- **Water service:** commitment to improving water management and modernising managed infrastructure. By guaranteeing a sustainable supply of drinking water, the Group contributes to preserving one of the fundamental elements of life and to tackling challenges related to environmental sustainability, leveraging its extensive experience in gas distribution.
- **Digital services:** through digital transformation, the Group not only optimises its internal processes but also offers advanced digital services to customers. This contributes to smarter resource management and a better overall experience for all stakeholders involved by adopting technologically advanced solutions to improve operational efficiency.

The transition plan is based on ESG principles and responds to the challenges of sustainability, describing the Group's strategy to achieve its climate targets for 2028 and 2030, in terms of reducing energy consumption and emissions of the Group and its supply chain, as well as the decarbonisation of the energy systems of the countries in which it operates, also in view of European and national strategic guidelines. In addition, there is an unconditional commitment to the growth of the people and communities in which the Group operates, through the training of new digital skills, the promotion of innovation and the creation of valuable partnerships with organisations and stakeholders.

³² “Taskforce on Climate-related Financial Disclosure”. See the full report here: <https://www.italgas.it/wp-content/uploads/sites/2/2023/12/TCFD-report.pdf>

2.2.1 DIGITAL TRANSFORMATION OF NETWORKS AND RENEWABLE GASES

Italgas sees its digitisation effort as a crucial step to accelerating the distribution of renewable gases and, at the same time, reducing its carbon footprint. In addition, digitisation makes the network more reliable and able to adapt to the impacts of climate change, e.g. by intervening using remote commands in cases of extreme weather events, mitigating impacts and/or reducing intervention times (e.g. remotely securing portions of the network in case of floods, fires, earthquakes). Italgas has committed to making 90% of its network digitised and monitorable through DANA by 2024 in Italy and by 2026 in Greece.

The digital transformation underway in Italy (with investment of € 1.3 billion in the 2017-2022 period and € 1.6 billion planned in the 2023-2029 Plan period) aims to collect as much information as possible, enable remote control, manage renewable gases and develop predictive maintenance programmes. Portions of the Italgas network are already fully digitised, monitored and remotely managed in terms of flow rates, pressures, odourisation levels, and pre-heating. The replacement of all GRFs (Final Reduction Units) in the territory is underway; at the same time, the installation of solenoid valves, sensors, actuators, gas chromatographs, as well as the replacement of smart meters based on GPRS technology with NB-IoT meters is being carried out. Italgas has developed a new smart meter – *Nimbus* – which was presented in December 2023 and will be field-tested in 2024 and is perfectly compatible with hydrogen: for further details, see the box “The new Nimbus smart meter” in section 8.1.1.

In 2021, the Group launched its centralised command and control system (DANA – Digital Advanced Network Automation): taking advantage of the asset digitisation already implemented, DANA enables 24/7 automatic remote monitoring and control of the network. More details in the Section 8.1.1.

Investments of approximately € 0.9 billion are also planned in Greece over the 2023-2029 period, allocated to the development, conversion and digitisation of the distribution network. Leveraging the experience gained in the natural gas conversion process in Sardinia and the Group’s expertise in the creation of digital native networks, these resources will be invested in the expansion of the network and its digital transformation, promoting the penetration of natural gas in areas not yet served and enabling the distribution of renewable gas. These investments will allow the Greek network to grow from 7,491 kilometres in 2022 (Enaon’s year of acquisition) to approximately 11,000 kilometres by 2029 (+47% in 7 years).

The existing gas distribution networks are a key factor in achieving the EU’s decarbonisation targets through upgrading and conversion. Italgas plans investments of around € 2.4 billion over the 2023-2029 period aimed at further improving the flexibility and reliability of the network in Italy, in order to be ready to handle different types of gas in the coming years. The network conversion includes the complete replacement of pipelines, upright columns and plants made of cast iron, unprotected steel and other obsolete materials, following predictive maintenance principles.

The Group is strongly committed to minimising fugitive methane emissions, using and promoting the adoption of the most advanced leak detection solutions, such as CRDS (Cavity Ring-Down Spectroscopy) technology: for further details, see Section 8.1.1.

Among renewable gases, biomethane is currently the most viable carbon-neutral option. The technology is mature, and with the integration of CO₂ capture systems it can even have a negative net carbon footprint. To reduce costs and improve connection efficiency, collaborative efforts are underway between Italgas, the Regulator and producers in order to determine optimal technical solutions. At the beginning of 2023, Italgas connected the first biomethane plant to its network; the new plant produces 2.5 million cubic metres of biomethane from liquid waste from the distillation of grappa, thus helping to decarbonise the gas consumption of 3,000 households (for further details, see the box “The Bonollo biomethane plant” in the Section 8.1.1). In December 2023, Italgas also connected two new biomethane plants produced from wastewater sludge to the distribution network in Rome, with a total capacity of 2.6 million cubic metres per year. As a further demonstration of Italgas Group’s commitment in the biomethane sector, ARERA has given the go-ahead to two innovative reverse flow pilot projects, to be implemented in Ostiglia (Lombardy) and Manduria (Puglia), with funding of € 1.4 million.

In the long term, hydrogen can unlock the full potential of renewable energy sources due to its programmability, storage potential and compatibility with existing infrastructure. For this reason, Italgas is introducing the Power to Gas concept through its pilot project in Sardinia, near Cagliari, aimed at testing the entire green hydrogen value chain: for further details, see Section 8.1.1

2.2.2 NEW BUSINESS OPPORTUNITIES

ENERGY EFFICIENCY

Recognising the crucial role that energy efficiency plays in the pursuit of climate objectives, in 2018 Italgas decided to enter the energy services market by acquiring the Energy Service Company (ESCO) Seaside (now Geoside) and then by acquiring other companies in the sector, which have now been brought together as Geoside S.p.A.

Thanks to strategic operations and acquisitions, the Group has been enriched over the years with specialised skills that allow Geoside to offer a wide portfolio of services to the market. Thanks to the experience gained in the field and also to its proprietary technologies, the Group's ESCo offers customised solutions to private customers, companies and public administrations, accompanying them on the path to reducing their energy and environmental impact.

In the residential sector, Geoside oversees several building renovation projects aimed at greater efficiency. The offer is enhanced by the in-house development of several digital products for monitoring and managing domestic energy consumption (Savegas, Savetermo, Savecharge). In the industrial and tertiary sectors, Geoside provides a wide range of digital energy management services to large, medium and small industrial companies. By harnessing the power of Artificial Intelligence and big data analysis through its proprietary software, Savemixer, Geoside can effectively monitor and optimise customer energy consumption³³. Geoside offers innovative services both to the market and internally within the Group to support Italgas' energy transition. Furthermore, Geoside enables Italgas to be more competitive in gas tenders, offering the implementation of energy efficiency initiatives to local communities as a "value-added service" in addition to the management and development of the gas network in the concession area. The Strategic Plan envisages further expansion in the sector, aiming to become a major player, with investments of € 0.3 billion over the 2023-2029 plan period, with a proactive role in promoting energy efficiency in all of the Group's segments.

WATER SERVICE

Italgas' strategy envisages growth in the water sector, capitalising on the expertise developed for the innovation and digitisation of the natural gas distribution infrastructure. The demand for investment in the water sector is substantial in Italy, where on average 42% of distributed water is lost along the network, according to market estimates, with peaks of over 70%. Water is an essential and therefore precious resource: there is an urgent need to modernise Italy's obsolete water infrastructure and promptly implement digital metering technologies to be able to detect and prevent water losses throughout the network. Since 2018, Italgas Acqua (now Nepta) has been implementing a programme to digitise its 279-kilometre-long water network, which is currently fully monitored and remotely controlled. In June 2023, Italgas signed an agreement with Veolia to acquire a business unit held by the Veolia Group that operates in the water sector in the regions of Lazio, Campania and Sicily. Upon completion of all operations under this transaction, Italgas' presence in the water sector will represent approximately 10% of the Italian population, with 6 million people served either directly or indirectly. The 2023-2029 Strategic Plan includes € 0.4 billion of investments, including both the acquisition already realised, and potential further developments, the main initiatives of which are the completion of the smart meter installation programme, the modernisation of the network and plants, and the digital transformation of the water sector, aiming to improve the operational and energy efficiency of the water network and reduce losses. The National Recovery and Resilience Plan will activate major investments over the next few years – a total of € 140 million for Acqualatina and Siciliacqua – for the digitisation

³³ For further details, please visit <https://www.geoside.com/en/savemixer>

of water networks and technological upgrades, allowing not only improvements to the service, reducing leaks in the immediate future, but also the collection of data in real time so that future interventions can be prioritised.

DIGITAL SERVICES

The digital transformation undertaken by Italgas does not only concern its assets, but also its main operational processes. The driving force behind this significant evolution is the Digital Factory, where physical and virtual rooms work using the Agile methodology, creating software and applications that help to further improve operational efficiency. The skills and solutions developed can also be useful for other operators with needs similar to those of Italgas, enabling them to define more ambitious and tangible objectives. For this reason, Bludigit, the Italgas Group's digital services company, develops partnerships with leading technology providers at a global level, and offers internally developed innovative solutions to third parties. In 2023, Bludigit released new innovative applications, such as Route Planner – to optimise the routes taken by Picarro drivers, the cars equipped with leakage detection technology, during leakage location sequences, minimising and optimising the kilometres travelled by the cars – and Supply hub – the new supplier portal that allows Italgas' network of companies to find all the operational tools they need to manage their contracts and outsourced works. For further details, see section 8.1.1.

With regard to personnel, the strategy implemented by the Group has extended the use of at least one mobile device belonging to the Apple "ecosystem" to all Group employees, who participate in training, refresher courses and digital re-skilling programmes. As a result, new professional figures have arisen, such as the Gas Data Translator, whose task is to read and interpret the data that is collected by the digital network at any given moment and use it to achieve operational excellence.

2.3 2023-2029 SUSTAINABLE VALUE CREATION PLAN

In order to implement real economic, financial, environmental and social sustainability and to be able to create shared value, the Group has adopted an integrated business model, capable of employing all the capital it uses in its production processes to achieve its strategic objectives and create value for all its stakeholders in the short, medium and long term. By doing so, it is able to develop a virtuous circle, capable of using such capital to generate positive impacts and preserve not only the future of Italgas, but also that of the communities and territories in which it operates.

Italgas launched its Sustainable Value Creation Plan, "Builders of the Future", in 2022, basing it on three pillars: Planet, People, Partnership (for a sustainable future together), corresponding to precise lines of action with clear commitments and measurable targets.

BUILDERS OF THE FUTURE

FOR THE FUTURE OF THE PLANET



- Digitalise to bring about the energy transition and decarbonisation
- Contribute to the fight against climate change
- Protect the ecosystems and promote a circular economy

FOR THE FUTURE OF PEOPLE



- Improve the quality of life and ensure the safety of employees, citizens and the national energy system
- Develop and disseminate the skills of the future
- Valorise diversity and support equal opportunities and inclusion

FOR A SUSTAINABLE FUTURE TOGETHER

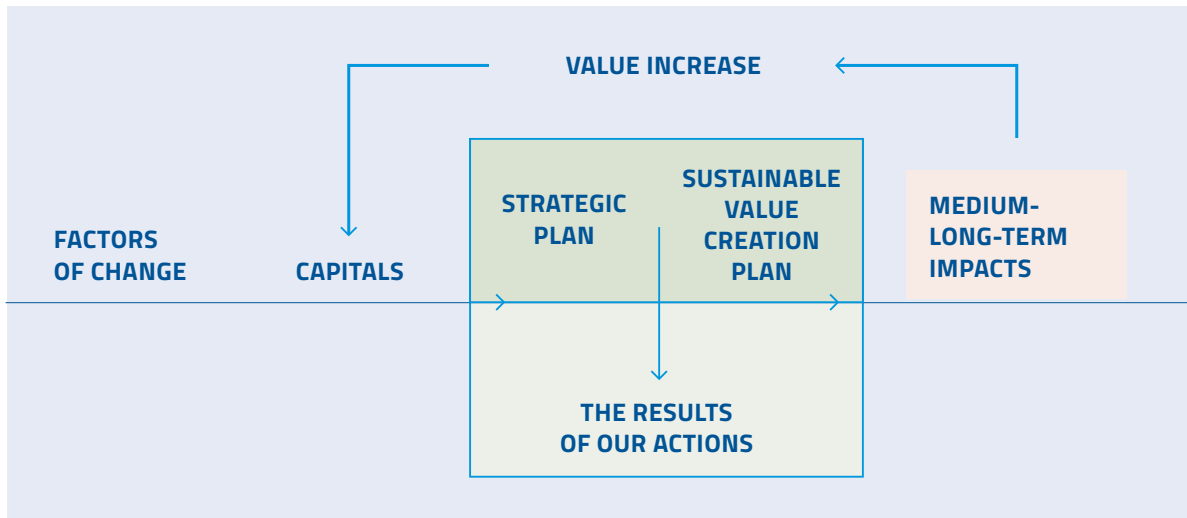


- Promote innovation and dialogue through partnerships
- Promote the principles of Sustainability in the supply chain
- Take care of the territory

There are three main dimensions of the Plan:

- **protecting the planet**, to enable energy transition, promoting decarbonisation and ensuring care for ecosystems;
- **the well-being of the people**, to respond to changing social concerns and demands to which increasing attention needs to be paid;
- **virtuous collaboration with partners**, to promote innovation and positive interaction between stakeholders, from start-ups, SMEs, regional actors to national and international associations.







Our idea of sustainability



In order to have a tangible impact on reality, it is necessary to be able to anticipate the market context in which we operate and to understand the drivers of change as early as possible.

The increasing focus on renewable gases, the EU Green deal decarbonisation plan, the REPowerEU energy independence plan, the EU Circular Economy action plan, and the NRRP are just some of the main legislative and regulatory drivers to be considered when defining the sustainability and value creation strategy. In addition to this, there are socio-economic elements such as, for example, increased sensitivity to equal opportunities and the valorisation of diversity, changing expectations of young workers, changing demand for specialised know-how, and the expansion of responsibility across organisational boundaries throughout the supply chain.

Factors of change and external context influence the capital the Group uses to create value in how it does business.

<p>NATURAL CAPITAL</p>	<ul style="list-style-type: none"> ▪ Natural gas, hydrogen, renewable gases ▪ Water ▪ Other natural and energy resources 	<p>FINANCIAL CAPITAL</p>	<ul style="list-style-type: none"> ▪ Financial solidity of the Group ▪ ESG credibility and access to credit at competitive rates
			
<p>MANUFACTURED CAPITAL</p>	<ul style="list-style-type: none"> ▪ Corporate physical assets: distribution networks and systems ▪ Digital infrastructure 	<p>HUMAN CAPITAL</p>	<ul style="list-style-type: none"> ▪ Shared values and goals within the Group ▪ Motivation and involvement of Italgas people
			
<p>INTELLECTUAL CAPITAL</p>	<ul style="list-style-type: none"> ▪ Ability to innovate (R&D) ▪ Technical and digital knowledge ▪ Corporate culture and know-how 	<p>RELATIONSHIP CAPITAL</p>	<ul style="list-style-type: none"> ▪ Relationships with partners in the gas supply chain ▪ Relationships with trade associations, regulatory bodies, institutions and citizens ▪ Reputation and recognition of leading role in the distribution sector in Italy
			

Italgas' goal is to ensure that the activities, addressed by the Strategic Plan and the Sustainable Value Creation Plan, not only create economic value, but also generate virtuous short and medium-to-long-term impacts on tangible and intangible capital used in production processes.

The Group's commitment is therefore to ensure that actions have positive impacts on a wide range of issues that contribute to developing a truly "sustainable" society.

During 2023, the Sustainable Value Creation Plan was updated to better represent the evolution of the Group's sustainability strategy and ambitions. The targets indicated in the document, defined, approved and presented together with the 2023-2029 Strategic Plan, highlight complete integration between business and sustainability. The 2023-2029³⁴ Sustainable Value Creation Plan extends and updates the objectives set by the Group to the entire organisation, including the Greek subsidiary Enaon, and also provides new targets related to gender equality and cybersecurity.

³⁴ <https://www.italgas.it/wp-content/uploads/sites/2/2023/10/Sustainable-Value-Creation-Plan.pdf>

THE RESULTS OF OUR ACTIONS



- Promotion of innovation and digital transition
- Reduction of energy consumption of the Group and of third parties
- Extensiveness and digitalisation of the distribution network
- Reduced leakage from the networks
- Distribution of renewable gases and GHG emissions' reduction
- Waste reduction
- Growth of knowledge within and outside the company
- Better results through the inclusion of diversity in terms of gender, age, abilities and education
- Employee satisfaction and engagement
- Respect for human rights
- Reduced work-related accidents
- Dissemination of good Sustainability practices along the entire supply chain
- Support for the communities and the territory Financial solidity

MEDIUM-LONG-TERM IMPACTS



- Increased supply chain resilience through the dissemination of the best Sustainability practices
- Mitigation of environmental impacts, protection of the ecosystems, support for the circularity EU goals
- Economic development of the Country
- Energy security of the Country
- Decarbonisation of the Country in keeping with EU goals
- Development of a culture orientated to the promotion of equal opportunities and women's empowerment
- Energy and digital literacy of the citizens in the service of the energy transition
- Generation of shared value for the stakeholders in the territory
- Development of a corporate culture that is healthy and inclusive, based on respect for human rights and designed to ensure the wellbeing of the workers
- Digitalisation, innovation, efficiency, safety and Sustainability of gas distribution infrastructure
- Safe and efficient access to energy for all
- Promotion of innovation in the service of energy transition

The actions that the Group carried out during 2023 and that have contributed to the achievement of the objectives of the 2023-2029 Sustainable Value Creation Plan are recounted in the following chapters:

- 8.1 Italgas for the future of the Planet;
- 8.2 Italgas for the future of People;
- 8.3 Italgas for a sustainable future together.

2.4 COMMITMENT TO SUSTAINABLE DEVELOPMENT

In its vision for a sustainable approach to business, the Italgas Group intends to contribute daily to the achievement of the sustainable development goals of the United Nations 2030 Agenda and the goals defined by the European Union. In line with global sustainability principles and the important integrations made to the Italian Constitutional Charter in February 2022, which establishes on the one hand that the environment, biodiversity and ecosystems must be protected, introducing the concept of the interests of future generations, on the other it strengthens the principle that economic activity cannot be carried out while harming health and the environment, as well as the aspects of safety, freedom and human dignity already present, Italgas further strengthens its commitment and conviction that it is operating in the right direction.

The Group's strategic direction, in terms of commitment and lines of action, outlined in the 2023-2029 Sustainable Value Creation Plan in short- and medium-to-long-term objectives and actions, are developed in line with the United Nations Sustainable Development Goals and are formalised in the following main policies:

- Sustainability and Stakeholder Engagement Policy³⁵, which defines its vision on social, environmental and governance topics relevant to the corporate identity and the desire to create lasting value for all its stakeholders, through continuous dialogue, the sharing of objectives and the strengthening of collaborative, transparent and professional relations;
- Corporate Citizenship Policy³⁶, to further consolidate the support to the local communities in line with its strategic growth and sustainable development plans;
- Diversity, inclusion and gender equality Policy³⁷, to promote matters of diversity and encourage progress and innovation;
- Human Rights Policy³⁸, which outlines the reference principles and actions taken to safeguard human rights in the conduct of its business and, in general, in any context in which Italgas' people and business partners operate;
- Policy for the prevention of discrimination and protection of dignity³⁹, by which the company undertakes to prevent discrimination, protect the dignity of its personnel and maintain the best conditions of well-being at work;
- The HSEQE Policy⁴⁰, to promote full compliance with the standards protecting health, safety, the environment and energy performance;
- Policy for managing dialogue with all shareholders⁴¹, to promote, with a view to active and constructive communication, an open and constant dialogue with shareholders.
- Policy for the Prevention and Combating of Corruption⁴², to promote the conduct of business according to the principles of fairness, correctness, transparency, honesty and integrity, in compliance with laws, regulations, international standards and guidelines.

³⁵ https://www.italgas.it/wp-content/uploads/sites/2/2021/07/Politica-sostenibilita-e-SH-engagement_ENG_1.pdf

³⁶ <https://www.italgas.it/wp-content/uploads/sites/2/2022/03/CORPORATE-CITIZENSHIP-POLICY-ENG.pdf>

³⁷ <https://www.italgas.it/wp-content/uploads/sites/2/2021/07/Italgas-Diversity-and-Inclusion-Policy-1.pdf>

³⁸ https://www.italgas.it/wp-content/uploads/sites/2/2022/05/ITH-POL-003-R01-Human-Rights_ENG-062023.pdf

³⁹ https://www.italgas.it/wp-content/uploads/sites/2/2021/07/Politica-dignita%CC%80-personale_ENG.pdf

⁴⁰ https://www.italgas.it/wp-content/uploads/sites/2/2022/07/ITH-POL-005-R01-HSEQE-_ENG_072022.pdf

⁴¹ <https://www.italgas.it/wp-content/uploads/sites/2/2021/07/Shareholders-Engagment-Policy-2.pdf>

⁴² https://www.italgas.it/wp-content/uploads/sites/2/2023/05/Italgas_Anticorruption-Policy.pdf

- Code of Ethics⁴³, is a collection of the values that the Italgas Group recognises, accepts and shares and the responsibilities it assumes within and outside of its organisation.
- Policy on Integrated Security, Resilience and Crisis Management, which establishes the Group's objectives in terms of proactive protection of the assets comprising employees, physical and digital infrastructures and the distinctive know-how of the Italgas Group

These policies are periodically updated and integrated, constantly adhering to the evolution of the Group's strategies and position by taking into account the guidelines that have emerged from sustainability indexes and ratings, as well as the main international ESG trends.

⁴³ https://www.italgas.it/wp-content/uploads/sites/2/2022/03/Codice_etico_2023.pdf



01 DIRECTORS' REPORT

3

GOVERNANCE, RISKS AND OPPORTUNITIES

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3. GOVERNANCE, RISKS AND OPPORTUNITIES

3.1 GOVERNANCE

Italgas has adopted the so-called traditional administration and control system⁴⁴, which envisages the presence of the Board of Directors (BoD) and Board of Statutory Auditors, in office for three financial years, as well as the Shareholders' Meeting and the Independent auditing firm. The corporate governance system is defined by the BoD in compliance with the provisions of the Italian Civil Code, the regulations to which the Company is subject as a listed Issuer, the unbundling regulations, and the Corporate Governance Code of Borsa Italiana S.p.A., with reference to national and international best practices.

The Corporate Governance Code places growing attention on sustainability issues and requires the Board to guide the company in the pursuit of "sustainable success", creating long-term value for shareholders while considering the interests of stakeholders, rather than shareholders, who have a significant role in guaranteeing the long-term sustainability of the market sector in which the company operates.

For more information, please refer to the Report on the Corporate Governance and Ownership Structure of Italgas for the 2023 financial year ("Corporate Governance and Ownership Structure Report"), drawn up pursuant to Article 123-bis of Italian Legislative Decree no. 58 of 24 February 1998 ("Consolidated Finance Act") and published on the Company's website <https://www.italgas.it>.

3.1.1 SHAREHOLDERS' MEETING

The Shareholders' meeting represents all shareholders and is Italgas' decision-making body responsible, among other things, for the task of appointing the members of the BoD and Board of Statutory Auditors and establishing the related fees, appointing the Independent Auditors, approving the financial statements, including allocation of profits, and resolving on the purchase of treasury shares, amendments to the Bylaws and the issue of convertible bonds.

For more information on the functions of the Shareholders' meeting, please refer to the Corporate Governance and Ownership Structure Report.

3.1.2 BOARD OF DIRECTORS, COMMITTEES AND BOARD OF STATUTORY AUDITORS

Italgas' BoD is tasked with the ordinary and extraordinary management of the Company and has the faculty to carry out all the acts deemed appropriate for the implementation and achievement of the corporate purpose, with the exclusion of the acts which, pursuant to applicable legislation and the Bylaws, are reserved for the Shareholders' meeting.

⁴⁴ In applying the so-called traditional system of administration and control, the one-tier system and the two-tier system do not apply.

1 DIRECTORS' REPORT

In accordance with the provisions of its Bylaws, the Company is administered by a BoD made up of 9 members. All the Italgas directors possess the integrity requirements laid down by current legislation, and an executive director, seven non-executive directors and a chairperson without management powers is appointed from among the same. The composition of the BoD respects the company policies with regard to diversity in relation to aspects such as age, gender composition as well as training and professional background. Demonstrating the importance of this issue, in 2018 the Group adopted the "Diversity of Company Bodies Policy", regarding the diversity of the composition of the BoD and the Board of Statutory Auditors, most recently updated by a resolution of the Company's BoD, after consultation with the Appointments and Compensation Committee, on 13 June 2023, which can be found on the Company's website.

The current BoD, appointed on 26 April 2022 for a term of three financial years, until the date of the Shareholders' Meeting to be called to approve the financial statements for the year ending 31 December 2024, is composed as follows:

- 4 Directors, including the Chairperson, belonging to the less represented gender, equal to two-fifths of the total composition, in compliance with gender balance criteria⁴⁵;
- four Directors, including the Chairperson, qualified as independent on the basis of both the requirements of independence of the CLF (Article 147-ter, subsection 4 and 148, subsection 3 of the CLF), and of the Corporate Governance Code (Article 2);
- one independent director on the basis of the independence requirements of the CLF (Article 147-ter, subsection 4 and 148, subsection 3 of the CLF)⁴⁶.

The following table shows the directors in office during the financial year 2023 and as of the date of this Report. For each of them it indicates the office held and the role played in the BoD and in the Committees, whether they met the independence requirements pursuant to the provisions of the CLF and the Corporate Governance Code at the end of the financial year 2023, the gender they belong to, as well as whether the current term of office is their first appointment. As of 31 December 2023, the average term of office of the Company's Directors is 2.67 years.

Member	Office	Executive Role	Independence CLF	Independence CG Code	First appointment	Sustainable Value Creation Committee	Control, Risk and Related Party Transactions Committee	Appointments and Compensation Committee	AGE
Benedetta Navarra	W Chairperson		▪	▪	▪				56
Paolo Gallo	M Chief Executive Officer	▪							62
Claudio De Marco	M Director		▪	▪	▪		▪	▪	66
Fabiola Mascardi	W Director		▪	▪	▪			P**	61
Gianmarco Montanari	M Director		▪	▪	▪		P		51
Lorenzo Parola	M Director		▪		▪	P***			54
Manuela Sabbatini	W Director				▪		▪	▪	51
Maria Sferruzza	W Director				▪	▪			53
Qinjing Shen	M Director					▪			45

↪ Lead Independent Director.

** Until 22 February 2023, the position of Chairperson of the Appointments and Compensation Committee was held by Mr Lorenzo Parola.

*** Until 22 February 2023, the position of Chairperson of the Sustainable Value Creation Committee was held by Ms Fabiola Mascardi.

⁴⁵ Budget law no. 160/2019, in force since 1 January 2020, established that the least represented gender must constitute at least two-fifths of the elected members, instead of the previous quota of one-third. The new allocation criterion of at least two-fifths was applied as of the first renewal of the administrative body following the date of entry into force of the law and, therefore, on the occasion of the renewal of the BoD (and the Board of Statutory Auditors) resolved by the Shareholders' Meeting of 26 April 2022.

⁴⁶ On 26 April 2022, the existence of the independence requirements set forth in the CLF and the Corporate Governance Code was ascertained on the basis of declarations issued by the interested parties, taking also into account the qualitative and quantitative criteria for the assessment of independence approved by the BoD on 24 February 2021.

The current BoD is characterised by the age structure diversity of its members, considering that the Board Directors are aged between 45 and 66, and by diversity of geographical origin and experiences, including those abroad. The educational and professional profiles of the Board directors in office (lawyers, engineers, economists) guarantee a balanced distribution of experience and expertise within the corporate body suitable to ensure that the functions are performed correctly. For a summary of the background, professional characteristics and curriculum vitae of each member of the current BoD, please refer to the Corporate Governance and Ownership Structure Report.

The verification of the existence of the independence requirements set forth in the CLF and in the Corporate Governance Code was lastly carried out on 12 March 2024, taking also into account the qualitative and quantitative criteria for the assessment of independence updated by the BoD on 22 February 2023, as a result of which four Directors, including the Chairperson, under both the independence requirements of the CLF and the Corporate Governance Code, and one independent Director, under the requirements of the CLF, were found to be independent.

During the financial year 2023, the BoD met twelve times, with a participation rate of 97.2%. Given the relevance of sustainability issues for the Group, the BoD examined ESG issues in about 83.3% of its meetings. The Chairperson of the Sustainable Value Creation Committee reported to the Board of Directors on the Committee's activities carried out in 58.3% of the BoD meetings.

At least once a year, in accordance with the Corporate Governance Code and in the manner set forth therein, and with the support of the Chairperson of the Board of Directors and the Appointments and Compensation Committee, the Board carries out an assessment of the size and composition of the Board itself and its Committees, as well as their operation. The BoD appointed the external consultant Egon Zehnder S.p.A. to perform the Board Evaluation. For more information on the BoD, please refer to the Corporate Governance and Ownership Structure Report.

In compliance with the Bylaws, on 4 August 2016, the BoD established three Committees from among its members, most recently confirming their appointment at its meeting of 2 May 2022 following its renewal as resolved by the Shareholders' Meeting of 26 April 2022: (i) The Control, Risk and Related Party Transactions Committee ("CRRPTC"), (ii) the Sustainable Value Creation Committee ("SVCC") and (iii) the Appointments and Compensation Committee ("ACC"). The tasks and functions attributed to each Committee, in accordance with Corporate Governance Code, are detailed in the relevant Regulations, to which reference is made and which can be consulted on the Company's website.

Below is the current composition of the Board Committees resolved upon on 2 May 2022 by the BoD, as amended on 22 February 2023:

Control, Risk and Related Party Transactions Committee	Appointments and Compensation Committee	Sustainable Value Creation Committee
Composed of 3 non-executive directors, 2 of whom are independent pursuant to the CLF and the Corporate Governance Code (including the Chairperson).	Composed of 3 non-executive directors, 2 of whom are independent pursuant to the CLF and the Corporate Governance Code (including the Chairperson) ⁴⁷ .	It consists of 3 non-executive directors, one of whom is independent pursuant to the CLF, and acts as Chairperson ⁴⁸ .

⁴⁷ On 22 February 2023, the BoD resolved to appoint Director Fabiola Mascardi as member and Chairperson of the Appointments and Compensation Committee. The appointment was previously held by Mr Lorenzo Parola

⁴⁸ On 22 February 2023, the BoD resolved to appoint Mr Lorenzo Parola as a member and Chairperson of the Sustainable Value Creation Committee. The position was previously held by Ms Fabiola Mascardi.

CONTROL, RISK AND RELATED PARTY TRANSACTIONS COMMITTEE (CRRPTC)

The CRRPTC performs propositional and advisory functions in relation to the BoD concerning the Internal Control System, risk management, including climate change risks, and periodic financial and non-financial reports.

APPOINTMENTS AND COMPENSATION COMMITTEE (ACC)

The ACC performs propositional and advisory functions for the Board of Directors with regard to the appointment of directors and BoD self-assessment and on the remuneration of Directors, General Managers, Auditors and key managers, also including sustainability targets.

SUSTAINABLE VALUE CREATION COMMITTEE (SVCC)

The SVCC makes proposals and advises the BoD on processes and activities that contribute to the sustainable development of the Group throughout the value chain, aimed at the pursuit of sustainable success and periodic non-financial reporting, coordinating with the CRRPTC for evaluation by this Committee of the suitability of the periodic, financial and non-financial reporting.

For more information on board committees, please refer to the Corporate Governance and Ownership Structure Report.

THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors supervises compliance with the law and the Articles of Association, respect for the principles of correct administration in carrying out corporate activities, the adequacy of the organisational structure for aspects of responsibility, of the system of internal control and accounting system as well as the reliability of the latter in correctly representing transactions, and how to implement the corporate governance rules provided under the Corporate Governance Code.

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 26 April 2022 for a term of three financial years, i.e. expiring on the date of the Shareholders' Meeting to be convened to approve the financial statements for the year ending 31 December 2024. The Board of Statutory Auditors is made up of five members, three of whom standing auditors and two alternate, in connection with whom, it is specified that: (i) one Standing Auditor and one Alternate Auditor belong to the least represented gender (male)⁴⁹; (ii) without prejudice to the professional requirements provided for by law, the training and professional background of the members of the Board of Statutory Auditors currently in office guarantees the appropriate skills to ensure the proper performance of their duties.

For more information on the Board of Statutory Auditors, please refer to the Corporate Governance and Ownership Structure Report.

⁴⁹ Budget law no. 160/2019, in force since 1 January 2020, established that the least represented gender must constitute at least two-fifths of the elected members, instead of the previous quota of one-third. Article 144 -undecies.1, subsection 3, of the Issuers' Regulations provides that wherever the application of the gender division criteria does not result in an integer number of members of the administrative and control bodies belonging to the less represented gender, such number is rounded up, except for corporate bodies formed of three members, where the number will be rounded down. The new allocation criterion of at least two-fifths was applied as of the first renewal of the administrative and control body after the date of entry into force of the law and, therefore, on the occasion of the renewal of the Board of Statutory Auditors (and of the BoD) resolved by the Shareholders' Meeting of 26 April 2022.

3.1.3 SUSTAINABILITY GOVERNANCE

The Corporate Governance Code gives the administrative body the responsibility of integrating sustainability objectives into the definition of the strategies and business plan, the internal control and risk management system and remuneration policies.

The Company's BoD, at the instructions of the Chief Executive Officer, is responsible for defining the strategic guidelines and objectives for the Italgas Group, also with regard to the strategy in respect of sustainability objectives and impacts and those linked to climate change, as well as sustainability policies. Subject to review by the Sustainable Value Creation Committee (SVCC), the BoD is called upon to annually approve Italgas' seven-year Strategic Plan (the "Plan"), which includes updates to the Sustainable Value Creation Plan, ensuring the creation of value in the short- and medium-to-long-term for shareholders and stakeholders. The Plan approval process includes meetings dedicated to (i) the presentation and approval of scenarios (including climate scenarios), (ii) ESG objectives (including environmental and climate change objectives), and (iii) approval of the financial data of the Plan, including investments. With regard to the sustainability reporting process, the Board of Directors is responsible for reviewing and approving the disclosure of non-financial information.

During 2023, the Directors and Statutory Auditors were able to gain a better understanding of the area of operations of the Company and of the Group by taking part in off-site inspections and induction sessions, with a focus also on sustainability topics, including Italgas' strategy to create sustainable value in the future, digitisation to allow for the energy transition and decarbonisation, the fight against climate change, the protection of ecosystems and support of the circular economy. For more information, please refer to the Corporate Governance and Ownership Structure Report.

TOP MANAGEMENT

The Chief Executive Officer ("CEO") is responsible for the administration of the Group and the elaboration of key strategic objectives and sustainability initiatives, which are then submitted to the BoD for approval.

The CEO annually proposes the Strategic Plan (which includes updates to the Sustainable Value Creation Plan) for consideration by the SVCC and, subsequently, for approval by the BoD. These plans include the definition of strategies, actions and related sustainability objectives, including those related to climate (e.g. relating to energy consumption and emission reduction) and the establishment of Italgas' vision for energy transition, with a specific focus on the digitisation of infrastructures, the development of biomethane and new renewable gases in distribution networks, such as hydrogen.

The CEO chairs the Sustainability Business Review, established in 2021 and held monthly, in which a detailed assessment of the main environmental KPIs is carried out and the progress of related initiatives is discussed; this meeting is attended by the top management of each of the Group's companies and the process owners and managers of the activities that have the main sustainability impacts.

The CEO also chairs the Innovation Committee to evaluate efficiency initiatives in Group operations, including those with a focus on reducing emissions and/or increasing energy efficiency.

The CEO is assisted in his/her tasks mainly by the executive team which, in Italgas, includes the Chief Financial Officer, the General Counsel, the Heads of Human Resources & Organization, Procurement and Material Management, Institutional and Regulatory Affairs, External Relations and Sustainability, the Head of Bludigit, the Head of Group Security and Strategy. These directors, as members of the Executive Leadership Team (an internal management committee consisting of the CEO and Top Management), are also responsible for sustainability initiatives that fall within their remit. Furthermore, within the External Relations and Sustainability Department, Italgas has set up the Sustainability Unit, which oversees the definition of the sustainability model and, through the coordination of the contribution of each corporate department involved in the various issues, it ensures the definition of operational plans and tools to ensure its implementation and development, and also involves the Group's stakeholders. For more information on board committees, please refer to the **Corporate Governance and Ownership Structure Report**.

3.1.4 REMUNERATION

The Group's Remuneration Policy and Compensation paid⁵⁰ is designed to promote sustainable success through the pursuit of the objectives of the Strategic Plan and the Sustainable Value Creation Plan, and the improvement of long-term financial and non-financial results, while pursuing and promoting the creation of value for the various corporate stakeholders: employees, shareholders, local communities, suppliers. The Policy is also aimed at attracting, retaining and motivating people with high professional skills and fostering the commitment of key resources in relation to the Company's objectives, stimulating actions and behaviours in line with the Company's values and culture, in compliance with the principles of meritocracy, inclusion and plurality, equal opportunities, enhancement of people's knowledge and professionalism, fairness, non-discrimination and integrity as laid down in the Code of Ethics.

The Group's Remuneration Policy and variable incentive plans are closely linked to the Strategic Plan and Sustainable Value Creation Plan with pre-determined, measurable objectives that are consistent with the interests of the various stakeholders, in order to allow an assessment of corporate performance in both absolute and relative terms, presenting a balanced pay-mix, aimed at aligning remuneration to the performance actually achieved with a significant incidence of medium-to-long-term variable components (including equity instruments) for Top Management. The Policy, which is strongly oriented towards meritocracy and consistent with market references and best practices, also provides for the adoption of claw-back mechanisms in cases of error, wilful misconduct and serious or intentional violations of laws and/or regulations, as well as a structured engagement plan to collect shareholder expectations and feedback.

The management of sustainability impacts is fully integrated within the definition of the targets set in the Short-Term Incentive (STI) and Long-Term Incentive (LTI) Plan. Specifically, in 2023 the value of the CEO's STI and LTI are 25%⁵¹ and 20%⁵² respectively upon achieving specific sustainability targets.

For further details, please refer to the Report on the 2023 Remuneration Policy and the 2022 Compensation Paid⁵³ and the Report on 2024 Remuneration Policy and 2023 Compensation Paid⁵⁴.

3.1.5 INDEPENDENT AUDITORS

External auditing is entrusted in accordance with the law to an independent auditing firm entered in the relevant register and appointed by the Shareholders' Meeting on the reasoned proposal of the Board of Statutory Auditors. The assignment for the period 2020-2028 was awarded to the independent auditing firm Deloitte & Touche S.p.A. by the Shareholders' Meeting of 12 May 2020.

⁵⁰ <https://www.italgas.it/wp-content/uploads/sites/2/2023/03/Remuneration-Report-2023-and-Compensation-Paid-2022.pdf>
<https://www.italgas.it/wp-content/uploads/sites/2/2024/03/Remuneration-Report-2024-and-Compensation-Paid-2023.pdf>

⁵¹ 5% related to the accident frequency index, 7.5% related to leakage on the distribution network (in terms of percentage of kilometres of network inspected), 7.5% related to energy intensity, 5% related to the percentage of women in the position of "Head of business unit".

⁵² Defined based on two parameters: 1) reduction of CO2 emissions - Scopes 1 and 2; and 2) reduction of net energy consumption.

⁵³ <https://www.italgas.it/wp-content/uploads/sites/2/2023/03/Remuneration-Report-2023-and-Compensation-Paid-2022.pdf>

⁵⁴ <https://www.italgas.it/wp-content/uploads/sites/2/2024/03/Remuneration-Report-2024-and-Compensation-Paid-2023.pdf>

3.1.6 SHAREHOLDERS' AGREEMENTS

As regards the shareholder agreements pursuant to Article 122 of the CLF of which Italgas is aware, two shareholder agreements are currently in force, i.e. the Italgas Shareholders' Agreement, entered into on 20 October 2016 by Snam S.p.A., CDP Reti S.p.A. and CDP Gas S.p.A., and the SGEL Shareholders' Agreement, entered into by CDP S.p.A., State Grid Europe Limited and State Grid International Development Limited on 27 November 2014. For further information on shareholders' agreements, see the Corporate Governance and Ownership Structure Report, as well as the relevant section of the Group's website: <https://www.italgas.it/en/investors/market-title-shareholding/shareholders-agreements/>.

3.2 RISKS MANAGEMENT

Italgas has an Internal Control and Risk Management System integrated into the organisational, administrative and accounting structure and, more generally, a corporate governance system that ensures compliance with the laws and company procedures, protects the company assets and contributes to the management of activities, solidifying the accounting and financial data processed.

The Enterprise Risk Management (ERM) Department is tasked with overseeing the Group's integrated business risk management process. The Enterprise Risk Management activities focus on the definition of a homogeneous, transversal model for assessing the risks, identifying priority risks, ensuring consolidation of the mitigation actions and developing a reporting system.

The ERM methodology adopted by the Italgas Group is in line with the reference models and the existing international best practices (in particular, the 2017 COSO framework relative to the Enterprise Risk Management, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and ISO 31000:2018). The process for the identification, assessment, measurement and management of the risks is carried out periodically, at least once a year, on the basis of the importance of the risk and any changes in context.

The activities directly involve all business departments through dedicated meetings that make it possible to incorporate updates to the information on the description, significance and management of the risks already existing in the portfolio, and the detection of new emerging risks. Risk is assessed using a special assessment scale that sets out the thresholds of relevance for the Group (economic-financial impact dimensions; operational; legal, governance and compliance; environment, health and safety; reputation and market) that allow a "rating" to be assigned to each risk and facilitate their prioritisation. For all risks, the risk ownerships are identified and attributed and the management strategies are defined, broken down into specific actions for dealing with the risk and establishing the relative implementation time.

With reference to strategic risks, the ERM Department, in coordination with all relevant departments, carries out a specific in-depth analysis of risks, opportunities and uncertainties related to the Strategic Plan. The analysis allows estimation of the overall volatility of the defined economic and financial targets and evaluation of the level of resilience of the Strategic Plan. The "Strategic Plan" document, which has been approved by Italgas S.p.A.'s Board of Directors, contains the output of this analysis.

The risks are updated once a quarter, half-year or year, depending on their relevance. The results found in relation to the main risks and related management plans are presented to the Control, Risk and Related Party Transactions Committee at each updating. Moreover, the mapping of risks and the relative management strategies are presented periodically to the Board of Statutory Auditors and the Supervisory Body of Italgas and to the Boards of Statutory Auditors and the Supervisory Bodies of the Subsidiaries.

1 DIRECTORS' REPORT

The Officer Responsible and the Internal Audit department periodically receive the results of the risk assessments performed by the ERM department.

The reconciliation table below shows the main risks mapped in the ERM process being monitored, the main management methods and the material topics identified.

Category	Risk	Description	Main methods of management	Connected material topics
Strategic/ business- related	Changes in Regulation and legislation	<p>Risk of changes in the regulatory and institutional context in Europe or nationally affecting the natural gas sector</p> <p>Risk of a penalising update of the rate of return on net invested capital recognised by the Regulator</p> <p>Focus on Greece: Risk of review by the Greek Regulator of the investment and tariff plans submitted for approval</p>	<ul style="list-style-type: none"> - Specific structures for monitoring regulation, legislation and their prospective development plans, including in Europe - Active participation in the consultations called by the Regulator, sharing corporate positions and/or proposals for defining, updating and implementing clear and transparent regulation criteria - Active participation in consultations called by the Italian government or by European community organisations on relevant topics, including Taxonomy - Guidance aimed at defining unified trade positions 	Economic value generation and ESG finance

Category	Risk	Description	Main methods of management	Connected material topics
Strategic/ business- related	Climate Change	<p>Physical Risk: increased frequency of extremely intense natural events in the places where Italgas operates (more or less prolonged unavailability of assets and infrastructure, increase in repair and insurance costs, service interruption, etc.) with a negative impact on costs, revenue and level of service</p> <p>Emerging Risk:⁵⁵ an increase in average temperatures in the areas where Italgas operates with a possible negative impact on the number of active re-delivery points served and, consequently, on revenues</p> <p>Emerging Risk: Transition Risk: changes in the legislative and regulatory context in terms of greenhouse gas, with the objective of limiting emissions, for instance by introducing measures that require natural gas distributors to acquire certificates to cover emissions, with a negative impact on costs.</p> <p>Emerging Risk: Transition risk: technological evolution that may have a negative impact on the number of active re-delivery points served with a negative impact on revenues and the level of expected investments</p> <p>Emerging Risk: Transition Risk: uncertainty of the role of natural gas in the future energy mix with a negative impact on costs, revenues and level of expected investments</p>	<p>Countermeasures are summarised below, for more details please refer to the document "2022 – 2023 Driving innovation for energy transition – TCFD Report"</p> <ul style="list-style-type: none"> - Operational countermeasures as described in the "Service continuity: malfunctioning, accidents or extraordinary events" risk, that mitigate impacts and/or reduce response times in the event of extreme natural events are outlined - Targets for reducing net greenhouse gas emissions⁵⁶: <ul style="list-style-type: none"> i) by 2030: reduction of Scope 1 & 2 emissions by 42% and reduction of Scope 3 emissions by 33%, compared to 2020 values ii) by 2050, the target of Net Carbon Zero - Target to reduce net energy consumption by 33% by 2030, compared to 2020 values - Use of Picarro Surveyor technology - Internal leakage repair SLAs stricter than those defined by the Regulator - Actions to modernise the network - Process of transforming the network into digital infrastructure to enable the distribution of gases other than methane, such as hydrogen, biomethane and e-gas - Joining the UN Global Compact and UNEP's OGMP 2.0, active participation in consultations called by the government or community bodies on relevant issues, and presence in the leading sector associations - Carrying out energy efficiency projects and investments intended to increase the Group's presence in the water and energy efficiency sectors - Actions intended to promote the development and dissemination of biomethane and power-to-gas technology 	<p>Energy transition and fight against climate change</p> <p>Economic value generation and ESG finance</p> <p>Safety of network, assets and people</p> <p>Quality of service and customer satisfaction</p> <p>Network digitalization and innovation</p> <p>Corporate identity</p> <p>Adoption of circular economy principles</p> <p>Management of ecosystems and biodiversity</p>

⁵⁵ Risk for which the potential effects for the company and/or sector refer to a medium to long-term time frame.

⁵⁶ At June 2023, the targets, approved by the BoD in June 2023, refer to the scope of the Group companies consolidated using the line-by-line method. This does not include the water service companies acquired in 2023 and subsequently merged into Nepta, nor any future changes as a result of ATEM tenders and M&A transactions.

Category	Risk	Description	Main methods of management	Connected material topics
Strategic/ business- related	Risks associated with the development and awarding of area tenders for the gas distribution service	<p>Risk of not being awarded concessions in the planned areas, or being awarded concessions with less favourable conditions</p> <p>Risk of higher management costs borne by the Group with respect to its operating standards in case of concessions awarded in ATEMs (Minimum Territorial Areas) previously managed by other operators</p> <p>Risk of legal and/or arbitration disputes deriving from the complexity of the legislation that governs the expiry of the concessions held by Italgas</p> <p>Risk that the redemption value of the concessions for which, following the assignment process, a third party is an assignee is lower than the value of the RAB</p>	<ul style="list-style-type: none"> - The existing legislation states that, in the event of failure to be awarded concessions previously managed, the outgoing operator is entitled to the redemption value for the networks it owns - Specific procedures that govern the pre-tender activities, including calculation of the redemption value, and participation in area tenders - Monitoring of legislative changes and evaluation of the potential impacts on the tender process - Planning of the Tender calendar and the bidding strategy integrated into the Group's Strategic Plan - Critical analysis of the quality of the tender bid and implementation of improvement measures, including through use of external experts, organisations and universities 	<p>Corporate identity</p> <p>Economic value generation and ESG finance</p> <p>Network development</p>
Strategic/ business- related	Worsening of the geopolitical context	Risk of negative changes in the geopolitical context and/or atypical events with potential tensions on the financial markets, impacts on operating continuity and/or on health and safety of staff and/or on the supply chain	<ul style="list-style-type: none"> - Group Security Operation Center (G-SOC) and central platform for correlation of information from security systems - Travel security and operational intelligence platform - Integrated Security Cloud Command Center, intelligence centre for integrated security management, multi-domain crises, risk containment - PSIM (Physical Security Information Management), management centre for security operations - With reference to the conflicts in Russia/ Ukraine and Israel/Palestine, the following is confirmed: <ul style="list-style-type: none"> ▪ the absence of production activities and staff located in the countries involved ▪ intensification of controls and monitoring of the supply chain, conforming that there are no first or second level suppliers involved in the areas affected by either conflict, which impact on the Group's operating continuity. 	Safety of network, assets and people

Category	Risk	Description	Main methods of management	Connected material topics
Financial	Credit Risk	Risk of potential losses arising from counterparties failing to fulfil their obligations or delayed payment of amounts owed with negative effects on the financial results and financial position of the Italgas Group	<ul style="list-style-type: none"> - Rules for user access to the gas distribution service established by the Regulator and set out in the Network Codes, that establish the rules regulating the rights and obligations of the parties involved, and that lay down contractual conditions that reduce the risk of non-compliance, such as the provision of bank or insurance guarantees - Analysis and monitoring of the credit portfolio - Assessments of initiatives for outsourcing to external companies specialised in credit recovery. Monthly monitoring of the activities and performance of the appointed companies - Strong reliability of gas distribution customers as at 31 December 2023: <ul style="list-style-type: none"> ▪ in Italy on average 98.6% of trade receivables are settled on the due date and more than 99.7% within the next 4 days; ▪ in Greece on average 94.9% of trade receivables are settled on the due date and approximately all within the next 4 days 	Economic value generation and ESG finance
Financial	Changes in interest rates, inflation and deflation	Risk of fluctuations in interest rates, impacting the market value of the Company's financial assets and liabilities and its net financial expense. The risk that an extended period of inflation lower than the Group's forecasts could have adverse effects in the long-term on the RAB value and expected regulated revenues. Risk of an unexpected increase in the inflation rate with possible adverse effects on expected costs	<ul style="list-style-type: none"> - Process for the preparation and monitoring of the financial and management plan, control and reporting of financial risks - Financial planning with a time frame of 7 years, carried out annually - Maintenance of a debt ratio between a fixed rate and floating rate to minimise the risk (as at 31 December 2023, 91.9% of the gross financial debt was at fixed rate and 8.1% at floating rate) - Mix of external financial resources (bonds subscribed by institutional investors, syndicated loans with banks and other financial institutions, in the form of medium-long-term loans and bank credit lines at interest rates indexed to benchmark market rates, in particular the Europe Interbank Offered Rate [Euribor]) - Monitoring of the main economic and financial indicators, including financial structure indices used by rating agencies, liquidity indicators and indicators of debt mix/composition, risk indicators of counterparty liabilities, and of certain key parameters, such as the ratio between debt and the RAB 	Economic value generation and ESG finance

Category	Risk	Description	Main methods of management	Connected material topics
Financial	Liquidity Risk	Risk that new financial resources may not be available (funding liquidity risk) or that the company may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment commitments. This may affect profit or loss should the company incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the company's future as a going concern	<ul style="list-style-type: none"> - Countermeasures as described in the "Changes in Interest rate, inflation and deflation" risk - Adequate level of cash held in current accounts and fixed-term deposits with leading banks - The EMTN programme, in addition to funding from the banking system, which presently allows issue of the remaining bonds worth a nominal € 1.5 billion to be placed with institutional investors 	<p>Corporate identity</p> <p>Economic value generation and ESG finance</p> <p>Sustainable management of the supply chain</p>
Financial	Credit rating risk	Risk of a downgrade in Italgas' credit rating due to worsening in the economic and financial parameters or due to a downgrade of the rating of the Italian Republic, which, based on the methodologies adopted by the rating agencies, could trigger a downward adjustment in Italgas' rating	<ul style="list-style-type: none"> - Countermeasures as described in the "Changes in Interest rate, inflation and deflation" risk - Constant dialogue with rating agencies 	<p>Corporate identity</p> <p>Economic value generation and ESG finance</p>
Financial	Debt covenant and default risk	Risk of failure to comply with financial covenants for existing loans (in some cases only when this non-compliance is not remedied within a set time period, and the occurrence of other events, such as cross-default events, some of which are subject to specific threshold values), which could result in Italgas' failure to comply and could trigger the early repayment of the relative loan	<ul style="list-style-type: none"> - Absence of financial covenants and/ or collateral in the loan agreements (as at 31 December 2023, there were no loan agreements with these characteristics, except for the EIB loan taken out by Toscana Energia, for an original nominal amount of €90 million, which requires compliance with certain financial covenants - Monitoring of compliance with the following types of contractual clauses: (i) negative pledge undertakings, pursuant to which Italgas and its subsidiaries are subject to limitations regarding the creation of real rights of guarantee or other restrictions concerning all or part of the respective assets, shares or goods; (ii) pari passu and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out (as at 31 December 2023, these commitments appear to have been respected) 	<p>Corporate identity</p> <p>Economic value generation and ESG finance</p>

Category	Risk	Description	Main methods of management	Connected material topics
Operational	Anomalies in smart meter performance	Risk of increased levels of malfunctioning of smart meters with lost/failed reading of the use and/or requiring replacement or regeneration	<ul style="list-style-type: none"> - Adoption of Nimbus, the new generation smart meter (prototype released in November 2023, to be tested in the field in 2024 and installed on a wide scale from 2025) - Maintenance of an adequate fund to cover malfunctions - Issue of adequate guarantees by the suppliers of materials - Resolution ARERA/DINE 01/2023 which requires, for G4/G6 smart meters produced by 2016 and installed by 2018, the recognition of the residual value of the smart meters decommissioned earlier than the end of their regulatory useful life - Plan to replace and/or repair meters with function anomalies - Operative centres for the regeneration of smart meters with anomalies - Audits on suppliers and supply tests - Updating of technical specifications, including in consideration of technological developments 	<ul style="list-style-type: none"> Corporate identity Quality of service and customer satisfaction Adoption of circular economy principles Economic value generation and ESG finance Safety of network, assets and people Sustainable management of the supply chain Network digitalization and innovation
Operational	Service continuity: malfunctioning, accidents or extraordinary events	Risks of malfunctioning and unforeseeable distribution service disruptions from unintended events, such as accidents, breakdowns or malfunctioning of equipment or control systems, the underperformance of plants, and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events beyond Italgas' control	<ul style="list-style-type: none"> - Third Party Liability Insurance and Asset Protection coverage - Procedures and systems for emergency management, emergency plans with measures defined to make plants safe and guarantee service continuity - Health and safety procedures, communication campaigns, training and meetings to raise awareness of and analyse the prevention of accidents, initiatives that also involve suppliers/contractors - Command and Control Centre for Plants and Networks (CIR) active 24/7 - Digital applications for the remote control of worksites - Gradual adoption of DANA– Digital Advanced Network Automation – the innovative network command and control system - Smart Maintenance: GIS model for the intelligent maintenance of Italgas networks - Planned search for leaks using the best systems (Picarro Surveyor) and with higher levels of annual coverage of the network inspected than the standards defined by the Regulator - Internal leakage repair SLAs stricter than those defined by the Regulator - Continuous modernisation of the network - Prevention of potential damage to pipes caused by third parties 	<ul style="list-style-type: none"> Corporate identity Protection, inclusion, enhancement and well-being of human resources Safety of network, assets and people Network digitalization and innovation Quality of service and customer satisfaction Sustainable management of the supply chain Management of ecosystems and biodiversity Dialogue and value creation on the territory Energy transition and fight against climate change Economic value generation and ESG finance

Category	Risk	Description	Main methods of management	Connected material topics
Operational	<i>Cyber attacks</i>	Risks of cyber-attacks on the IT (Information Technology), OT (Operational Technology) and IoT (Internet of Things) sectors	<ul style="list-style-type: none"> - Specific insurance coverage of the risks related to cybersecurity - Bludigit ISO 27001 Information Security certification - Group Policy on Integrated Security, Resilience and Crisis Management - Cybersecurity, business continuity, network and information security, and emergency and crisis management organisational and operational model - Monitoring of the Group's Bitsight cyber risk rating, currently positioned in an advanced range (high level of maturity of the frameworks) - Conditional access solutions on the basis of certain factors and Multi-Factor-Authentication for Group employees, suppliers and contractors - Security measures to protect endpoints - Information classification and protection system according to criteria of Confidentiality, Integrity and Secrecy and a Data Loss Prevention solution to protect the Group's information assets - Specific training on cyber risks, common vulnerabilities, phishing and spam and phishing simulations - Secure Product Development Lifecycle process in which the measures to prevent and mitigate cybersecurity risks are integrated from the very start of the procurement and/or the development - Security measures to protect the network infrastructure from unauthorised alterations, disservices, misapplications and unauthorised disclosure of data - Periodic IT and OT vulnerability assessments and penetration tests performed by third parties - Continuous real-time monitoring of IT and OT systems using Security Information and Event Management (SIEM) solutions - Leading sector suppliers with maximum levels of security defined and monitored - "Cybersecurity Awareness for third parties", with which the Italgas Group's suppliers must formally comply - Cyber Threat Intelligence 	<p>Cybersecurity</p> <p>Compliance, transparency and fight against corruption</p> <p>Sustainable management of the supply chain</p> <p>Quality of service and customer satisfaction</p> <p>Safety of network, assets and people</p> <p>Economic value generation and ESG finance</p> <p>Network digitalization and innovation</p>

Category	Risk	Description	Main methods of management	Connected material topics
Operational	Risks associated with the health and safety of people and environmental protection	<p>Risk of incidents and/or injuries involving employees and partner companies</p> <p>Risk that Italgas may incur costs or liability, including to a significant extent, arising from any environmental damage, including in consideration of changes in legislation on protecting the environment and the possible occurrence of disputes.</p> <p>Risks associated with the spread of pandemics or new diseases that have repercussions on health and safety, on the operating context and on the resulting economic and financial framework of reference of Italgas</p>	<ul style="list-style-type: none"> - Insurance policies for "individuals" (professional and non-professional accidents, death by illness) - HSE system in compliance with reference standards, certified according to international legislation for aspects of health, safety, environment and energy efficiency, which envisages compliance audits carried out by the certification body - Research and technological innovation and actions and projects for the energy efficiency of processes, the improvement of safety conditions, environmental recovery of former manufactured gas production sites - Monitoring of HSE legislation - Training on HSE issues - Digital applications for reporting and recording "near misses" and for waste management - Analysis of incidents and root causes, implementation of improvement actions - Communication campaigns and awareness-raising meetings on HSE with innovative and digital tools Reward systems for virtuous operational structures - Training and information events with suppliers/contractors on HSE topics and for creating standardised operating practices - Internal procedures providing for specific measures against suppliers/contractors in the event of non-compliance in the HSE field and a reward system for virtuous behaviour - Audits on contractors during qualification and activities - Activities to promote health and well-being - Specific operating measures that may be activated in the event of a need to minimise contacts <p>With particular reference to reclamation activities:</p> <ul style="list-style-type: none"> ▪ - A specific provision has been set up to cover the estimated liabilities in relation to the formalities required by the law in effect ▪ Reclamation process of contaminated sites, which defines the tasks, operating procedures and indications in operations of waste removal, land analysis, establishing safe conditions and/or reclamation of sites contaminated by previous activities ▪ Structure dedicated to monitoring the design and construction phases. Audits on sites being reclaimed, carried out internally and by third parties, both during the works and for the final inspection 	<p>Corporate identity</p> <p>Protection, inclusion, enhancement and well-being of human resources</p> <p>Safety of network, assets and people</p> <p>Adoption of circular economy principles</p> <p>Management of ecosystems and biodiversity</p> <p>Sustainable management of the supply chain</p> <p>Dialogue and value creation on the territory</p> <p>Compliance, transparency and fight against corruption</p> <p>Economic value generation and ESG finance</p>

Category	Risk	Description	Main methods of management	Connected material topics
Operational	Risks associated with human resources	Risks associated with the development of human resources, including risk of resources in key roles leaving, lack of technical and specialist know-how, increase in the age of company personnel, drop in the level of satisfaction and/or increase in workplace disputes	<ul style="list-style-type: none"> - Top Employers 2023 certification, attesting to the adoption of HRO processes and methodologies in line with the best international benchmarks - Italgas Academy, the Corporate University of Italgas supporting the continuous growth of people and the Group. - Training courses in partnerships with universities - Multimedia platform that provides access to all group training initiatives in the "Excellence", "People" and "Innovation" areas - Knowledge transfer system - I-Grow Programme (induction paths, training programmes and structured job rotation paths) - Initiatives to spread the digital culture and knowledge - Smart Rotation system, Italgas' internal Job Posting, and Iscout, italgas' Referral Program, to facilitate upskilling and reskilling activities - Succession plan for senior roles - Personnel scouting and recruitment process, performance management system and development plans for resources with a role-specific training programme - Italgas Human Rights Policy - Italgas Diversity and Inclusion Policy - Structures dedicated to diversity and inclusion and to HR sustainability - UNI/PdR 125:2022 certification for gender equality - Survey on climate extended to all Group employees - Welfare system 	<ul style="list-style-type: none"> Corporate identity Protection, inclusion, enhancement and well-being of human resources Respect for human rights Economic value generation and ESG finance Network digitalization and innovation
Operational	Risks associated with the quality and level of service	Risk of non-compliance of the commercial levels of service for services to sales companies and/or risk of delayed or partial compliance with the obligations assumed, such as execution of the investments plan related to concessions involving obligations borne by the concession holder	<ul style="list-style-type: none"> - Continuous monitoring of Key Performance Indicators on commercial processes - Operating procedures and instructions for Commercial Management of the Service - Capexforce software, developed in partnership with Salesforce, for digital oversight of the investment process - Surveys at sales companies - Portal dedicated to Gas2Be sales companies, to strengthen the partnerships, facilitate the accreditation process of the network and allow direct access to information and news about Italgas - ClickToGas portal, the set of free sustainable and digital services dedicated to end customers - Mapping the existing concession obligations, monitoring and activating the network technical units for prompt interventions - Constant dialogue with contracting parties 	<ul style="list-style-type: none"> Corporate identity Quality of service and customer satisfaction Network development Dialogue and value creation on the territory Economic value generation and ESG finance Network digitalization and innovation

Category	Risk	Description	Main methods of management	Connected material topics
Operational	Supply chain risks	Risks associated with the availability and cost of materials, services and supplies, the operating capacity and scalability and the reputational and compliance reliability (including respect for human rights) of the suppliers and contractors of the Group	<ul style="list-style-type: none"> - Planning of procurement, analysis and monitoring of department KPIs - Supplier qualification process with economic-financial, reputational and ESG audits and mapping of sub-supplies (Tier II and Tier III) through recognised external providers - On-site, technical and ESG checks for the qualification purposes of Critical/Strategic Suppliers - "Supplier Code of Ethics" - Standardised tender processes and regulations, with request for details on sub-supplies (Tier II and Tier III) - Tender committee - IT4Buy digital platform covering supplier registration and qualification process, tender process; contract management - ESG reward criteria during the tender phase, ESG audits and implementation of the Action Plan - Anti-mafia audits in tender procedures relating to special sectors, financial solidity/resilience analysis of strategic suppliers - Supplier performance evaluation, including in terms of sustainability, risk assessment to Suppliers - Procurement diversification and scouting activities for innovative assets, produced with alternative materials - Technical specifications being continuously updated - "Anti-Bribery" and "Cybersecurity" Policy for third parties - Renewed logistics model 	<ul style="list-style-type: none"> Corporate identity Compliance, transparency and fight against corruption Protection, inclusion, enhancement and well-being of human resources Sustainable management of the supply chain Adoption of circular economy principles Management of ecosystems and biodiversity Respect for human rights Energy transition and the fight against climate change Economic value generation and ESG finance Network digitalization and innovation
Legal and non-compliance	Risk of non-compliance and legislative changes	Risk of non-compliance with legislation at European, national, regional and local level with which Italgas must comply in relation to the activities that it carries out and/or risk of failure to intercept and transpose new regulations falling under the scope of application	<ul style="list-style-type: none"> - Internal control and risk management system and areas of responsibility defined in terms of compliance - Code of Ethics, Model 231, Policy for the prevention of and fight against corruption, ISO 37001 anti-bribery certification - Monitoring, analysis, distribution and implementation of legislative measures on topics of interest for the Italgas Group and verification of correct implementation - Training for personnel on compliance issues; - Analysis and monitoring of the reputational requirements of the Group's counterparties - "Supplier Code of Ethics" 	<ul style="list-style-type: none"> Corporate identity Compliance, transparency and fight against corruption Protection, inclusion, enhancement and well-being of human resources Management of ecosystems and biodiversity Sustainable management of the supply chain Quality of service and customer satisfaction Respect for human rights Economic value generation and ESG finance

3.3 INTERNAL CONTROL SYSTEM

In order to ensure the correctness⁵⁷, accuracy⁵⁸, reliability⁵⁹ and timeliness of the information communicated to shareholders and the market, Italgas is committed to promoting and maintaining an adequate Corporate Reporting Internal Control System (hereinafter also referred to as the "SCIS"). The SCIS represents the set of all instruments necessary or useful to guiding, managing and verifying the corporate business.

In line with the decision to draw up an Integrated Annual Report that includes both financial and non-financial information, Italgas has aligned its internal control system also in respect of non-financial information.

The Corporate Internal Control System adopted by Italgas and its subsidiaries was defined in accordance with the provisions of the above-mentioned Article 154-bis of the CLF that Italgas is required to ensure compliance with, and is based in methodological terms on the "COSO Framework" ("Internal Control - Integrated Framework", issued by the Committee of Sponsoring Organisations of the Treadway Commission), the international reference model for the establishment, updating, analysis and assessment of the control system in respect of both financial and non-financial information.

The reference "COSO Framework" for Italgas is updated to May 2013 and this is the last version available.

The design, establishment and maintenance of the Corporate Reporting Internal Control System are guaranteed through scoping, identifying and assessing risks and controls (at corporate and process level, through risk assessment and monitoring activities), and the relevant information flows (reporting).

The control system structure provides for entity-level controls (CELCs - Company Entity Level Controls) which apply across the entire entity in question (group/individual company), and process-level controls (PLCs). It also includes pervasive controls performed on corporate information systems management activities (ITGC - Information Technology General Controls) and controls that regulate the criteria for the segregation of duties and responsibilities of employees (SOD - Segregation of Duties).

The controls, both at the entity level and process level, are subject to regular evaluation (monitoring) to verify the adequacy of the design and actual operability over time. For that purpose, there is provision for ongoing monitoring activities, assigned to the management responsible for the relevant procedures/ activities, as well as independent monitoring assigned to Internal Audit, which operates according to an annual plan agreed with the Executive responsible for preparing the corporate accounting documents (DP), which aims to define the scope and objectives of its actions through concerted audit procedures.

The following were conducted during 2023: all 11 audits envisaged in the Audit Plan as well as 1 spot audit, carried out following a specific request by the Board of Statutory Auditors of Italgas S.p.A. and 38 monitoring reports were prepared: 18 related to the monitoring of the second operational test session in 2022, which was concluded in early 2023, 4 related to the first drawing session in 2023, which was concluded in early July 2023, and 16 related to the second operational test session, which was concluded in late 2023. During the year, the Internal Audit Department issued 38 separate evaluation reports. The results of the audits have been presented to the Control, Risk and Related Party Transactions Committee.

In line with the regulatory requirements of European legislation on Whistleblowing (EU Directive 2019/1937, transposed into Italian law by Legislative Decree no. 24 of 10 March 2023), the

⁵⁷ Disclosure correctness: reporting that is correct, complies with generally accepted accounting standards and fulfils the requirements of the applicable laws and regulations.

⁵⁸ Disclosure accuracy: error-free information.

⁵⁹ Disclosure reliability: reporting that is clear and complete that would enable investors to make conscious investment decisions.

Italgas Group has a new platform for the collection and management of reports received, including anonymous reports.

The platform, which is available in Italian, English and Greek, allows the whistleblower to choose whether or not to submit reports anonymously, either written or oral. If the report is oral, the channel maintains the confidentiality of the whistleblower's voice. The sensitive data collected and those contained in the report are processed with the utmost care and in full compliance with the parameters of the GDPR.

Even in the case of anonymous reports, it is possible to communicate with whistleblowers to receive further information about the case, or to notify them of the receipt of the message, through a secure email address.

The Italgas Group has therefore updated the whistleblowing procedure – approved by the BoD – adapting, where necessary, the activities already regulated by the body of company regulations to Italian/European legislative provisions. The reporting procedure regulates the process associated with the receipt, analysis and processing of the reports sent or transmitted by any party, including those that are confidential or anonymous. Reporting on potential or actual violations of the internal control system is forwarded to the Whistleblowing Committee, while reports on potential or actual violations of the 231 Model and/or the Code of Ethics are handled by the Supervisory Bodies of the Group companies according to their competence.

The widest circulation of information about the Procedure is ensured, both internally (through publication on the corporate intranet and postings on notice boards, as well as in the context of internal training activities, particularly with regard to newly appointed employees) and externally (<https://www.italgas.it/en/governance/business-ethics/reporting-procedure/>).

During 2023, 29 reports were received, of which 20 concerned the internal control system and 9 related to other matters (231 – Code of Ethics). As at 31 December 2023, all reports received during the year had been properly processed, and of these 23 were filed and 6 were open. For the 20 reports concerning the internal control system, 6 were dismissed due to lack of evidence or untruthfulness, while 11 reports were filed with the Judicial Authorities, 1 was subject to disciplinary action (dismissal or unpaid suspension from work) for breach of employment, and the remaining 2 are still being assessed. For the 9 reports concerning other matters, 2 were dismissed due to lack of evidence or untruthfulness, disciplinary action (dismissal or unpaid suspension from work) was taken for 2 concerning breaches of the employment relationship, while the remaining 5, which are still being assessed, do not relate to breaches concerning corruption or extortion, discrimination or harassment, privacy violations, conflicts of interest, money laundering or insider trading.

	u.m.	2021	2022	2023
Total reports received	no.	15	9	29
<i>of which relating to the internal control system</i>	no.	12	8	20
<i>of which relating to other matters (Code of Ethics, mobbing, thefts, security, etc.)</i>	no.	1	1	9
<i>of which relating to administrative liability pursuant to Legislative Decree 231/2001</i>	no.	2	0	0
Reports closed	no.	15	9	23
Reports pending	no.	0	0	6

3.3.1 ITALGAS REGULATORY SYSTEM

The Regulatory System is characterised by a tiered structure, corresponding to different types of regulatory instruments. Each regulatory instrument is applied with reference to the processes defined in the map of Group processes.

The By-Laws, Code of Ethics, Model 231, Certified Management Systems and other compliance models constitute the general reference framework of the Group's Regulatory System, because the inspiring principles are recognised as founding principles of the behaviour the personnel of the Italgas

Group and, therefore, form part of the general reference framework of the entire Regulatory System. These regulatory tools are part of the efficient handling of the Management and Coordination activities performed by Italgas concerning Subsidiaries and, where envisaged, they are subject to regular delivery to, and/or formal adoption by, the Boards of Directors of the Subsidiaries.

The regulatory system also includes as an integral part thereof, the documents belonging to the certified management systems for health, safety, environment, quality, energy and, lastly, anticorruption in accordance with international ISO standard.

Regulatory instruments are drafted and updated in accordance and in compliance with the legislation applicable in each case. The elements of the Group's Regulatory System are as follows:

Italgas Enterprise System (IES) - constitutes the guide and reference for the Group's organisation and operation;

Policies - regulatory instruments drawn up for specific issues that contain declarations of intent, define reference principles and identify behaviours that each Group company must adopt, share and promote;

Quality Manuals and Plans - regulatory instruments drawn up, where necessary, in accordance with the requirements of the specific reference standard and that describe the processes, activities, reference structure, departments involved and related responsibilities with which the Certified Management Systems achieve their objective and direct their work processes.

Regulations – regulatory instruments that, depending on their specificity, can:

- define regulatory rules across several business processes in order to implement provisions issued, for instance, by the Legislator, independent authorities or Certification Bodies or best practices;
- define, with a more or less operational level of detail, the roles, responsibilities and activities of the various Departments involved in the individual business processes;

Regulatory circulars - regulatory instruments that regulate or expand on specific issues, including those of temporary significance. They provide indications, including of a prescriptive nature, concerning:

- conduct to be adopted in the performance of specific activities typically falling within the competence of a single Department or Business Unit;
- provisions of a contingent/transitory or in any case residual nature that cannot be directly/immediately regulated through dedicated regulations;

The day-to-day implementation of policies is ensured through the general rules dictated by the Italgas Enterprise System and by organisational and regulatory instruments that specify the responsibilities and operating methods to be followed by each process owner. In particular, the responsibility for the implementation of the commitments is set out within the missions of the individual organisational structures of each Group Company, whereas the process aspects are incorporated within the individual company procedures on the basis of an intricate map of Group processes.

3.4 ETHICS AND COMPLIANCE

The Italgas Group operates on the basis of a Corporate Management System comprising an Organisational System and a Regulatory System that defines roles, responsibilities, powers and rules of conduct to be upheld in going about the corporate business. The Corporate Management System is updated continuously with a view to guaranteeing the effectiveness and efficiency of processes, safeguarding the company's assets and ensuring compliance with legislation, thereby allowing Italgas to also direct the management and coordination of the subsidiaries.

The correctness and transparency of business management aim not only to ensure a correct management model and dialogue with stakeholders, but also to prevent corruption.

3.4.1 CODE OF ETHICS

On 14 December 2023, the Italgas S.p.A. BoD approved the update of the Code of Ethics (general essential principle of the 231 Model adopted by Italgas and by the Group companies in accordance with Italian Legislative Decree no. 231/2001) in order to optimise the Italgas Group commitment to protecting cultural and landscape heritage.

The Code of Ethics, available on the Company's website, is a collection of the values that the Group recognises, accepts and shares and the responsibilities it assumes within and outside of its organisation.

The Code of Ethics recalls the principles of corporate responsibility that must be respected, *inter alia*, in the areas of sustainability, the prevention and fight against corruption, health and safety in the workplace, relations with stakeholders and suppliers, and personal data protection.

The Code of Ethics applies with regard to all "Italgas people", i.e. directors, statutory auditors, management and employees of the Group, as well as all of those who work to achieve its objectives, each within the scope of their functions and responsibilities.

The Supervisory Bodies of each Group company, reporting on a half-yearly basis to the Control, Risk and Related Party Transactions Committee and the Board of Statutory Auditors on the implementation and need for update of the Code of Ethics, are assigned the tasks of "Guarantors" of the Code of Ethics. In addition, the Code of Ethics is also subject to periodic external audits conducted by independent bodies on the implementation of the Company's internal management systems (e.g. Italgas Anti-Corruption Management System, certified in accordance with UNI ISO 37001:2016).

With reference to the Greek companies of the Enaon Group, which became part of the Italgas Group as at 1 September 2022, it should be noted that in March 2023 both Enaon and Enaon EDA adopted the Italgas Code of Ethics.

3.4.2 ORGANISATIONAL AND MANAGEMENT MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

In accordance with Legislative Decree 231/2001, Italgas has adopted its own Model 231 aimed at mitigating the risks of committing the offences referred to in the aforementioned Legislative Decree 231/2001. Model 231, periodically updated in line with regulatory and/or organisational changes, is intended for members of the corporate bodies, management and employees of Italgas, as well as for all those operating to achieve Italgas' objectives.

The most recently updated version was approved by the Company's BoD on 25 July 2023 to adapt the whistleblowing system to Legislative Decree no. 24/23.

In application of its Model 231, Italgas appoints a Supervisory Body consisting of three external members, one of whom, acting as Chairperson, was chosen from scholars and professionals with proven expertise and experience on legal, corporate and economic issues and corporate organisation.

The term of office of members of the Supervisory Body is aligned with that of the BoD which appointed them. The term of office of the members expires on the date of the Shareholders' Meeting called for the approval of the financial statements for the last year of their office, although they continue to carry out their functions over the ad interim period, until new members of the Supervisory Body are appointed.

Each subsidiary adopts and updates its own 231 Model (available for consultation on the website), taking into account the indications and implementing methods defined by Italgas S.p.A..

3.4.3 CERTIFIED MANAGEMENT SYSTEMS AND ACCREDITATIONS

For Group companies, Italgas assures the adoption of both the Integrated management system for health and safety at work, the environment, quality and energy (HSEQE) and the Management system for the prevention of and fight against corruption.

The management systems are structured and implemented according to the requirements of the international standards of reference and commitments to these topics are expressed in the related corporate policies in order to inspire activities and conduct in specific regulatory and market contexts.

Under the scope of the Group Company management systems, the regulatory tools prepared help ensure regulatory compliance and personal health and safety (of employees, end customers, contractors, etc.) as well as preventing accidents, safeguarding the environment, ensuring public safety and a rational use of energy, global quality and the prevention of and fight against corruption.

To verify compliance of the Management systems with the requirements set by the standards, Italgas uses the DNV Certification Body, which, in 2023, carried out the relevant audits and issued the relevant certificates, or the relevant maintenance. The Companies' accreditations, or of some sectors of such, are verified and issued by ACCREDIA (single accreditation entity).

According to their corporate purpose and business, as at 2023, the Italgas Group companies have the following certifications and accreditations.

CERTIFICATIONS OF ITALGAS S.P.A.

Degree of certification coverage	Reference standard	Year of first certification
Company/Group	UNI ISO 37001	2018
Company	UNI PdR 125	2023

CERTIFICATIONS AND ACCREDITATIONS OF ITALGAS RETI S.P.A.

Degree of certification/accreditation coverage	Reference standard	Year of first certification/accreditation
Company	UNI CEI EN ISO 50001	2012
Company	UNI EN ISO 14001	2001
Company	UNI ISO 45001	2019*
Company	UNI EN ISO 9001	1996
Company	UNI ISO 37001	2018
Calibration laboratory	UNI CEI EN ISO/IEC 17025	2009
Test laboratory	UNI CEI EN ISO/IEC 17025	1994
Type C Inspection Body	UNI CEI EN ISO/IEC 17020	2014

* Since 2001 for the former reference standard OHSAS 18001

CERTIFICATIONS AND ACCREDITATIONS OF TOSCANA ENERGIA S.P.A.

Degree of certification/accreditation coverage	Reference standard	Year of first certification/accreditation
Company	UNI CEI EN ISO 50001	2017
Company	UNI EN ISO 14001	2003
Company	UNI ISO 45001	2019*
Company	UNI EN ISO 9001	1998
Company	UNI ISO 37001	2020
Type C Inspection Body	UNI CEI EN ISO/IEC 17020	2016

* Since 2003 for the former reference standard OHSAS 18001

CERTIFICATIONS OF MEDEA S.P.A.

Degree of certification coverage	Reference standard	Year of first certification
Company	UNI CEI EN ISO 50001	2021
Company	UNI EN ISO 14001	2021
Company	UNI ISO 45001	2021
Company	UNI EN ISO 9001	2021*
Company	UNI ISO 37001	2020

* Since 2014 for the Sassari site only

CERTIFICATIONS OF NEPTA S.P.A.

Degree of certification coverage	Reference standard	Year of first certification
Company	UNI CEI EN ISO 50001	2021
Company	UNI EN ISO 14001	2021
Company	UNI ISO 45001	2020
Company	UNI EN ISO 9001	2020
Company	UNI ISO 37001	2020

CERTIFICATIONS OF GEOSIDE S.P.A.

Degree of certification coverage	Reference standard	Year of first certification
Company	UNI CEI EN ISO 50001	2022
Company	UNI EN ISO 14001	2021
Company	UNI ISO 45001	2021
Company	UNI EN ISO 9001	2021*
Company	UNI ISO 37001	2020
Company	UNI CEI 11352	2015
Company	F-GAS (DPR 43/12)	2013
Company	SA8000	2007

* Since 2014 for the Bologna site only

CERTIFICATIONS OF BLUDIGIT S.P.A.

Degree of certification coverage	Reference standard	Year of first certification
Company	UNI ISO 45001	2022
Company	UNI EN ISO 9001	2022
Company	UNI CEI EN ISO IEC 27001	2023
Company	UNI ISO 37001	2022

With regard to the Italgas Group's Greek companies, Enaon EDA (Subsidiary of Enaon S.A.) has the certifications shown in the table below. On 1 October 2023, following the merger of EDA ATTIKIS and EDA THESS into Enaon EDA (formerly DEDA), all certifications of EDA ATTIKIS and EDA THESS were cancelled. Enaon EDA is in the process of adapting its Management Systems following the merger of the Distribution Companies, taking into account legal/regulatory requirements and standards, as well as its own operational needs. Enaon holds no certifications.

CERTIFICATIONS OF ENAON EDA

Degree of certification coverage	Reference standard	Year of first certification
Company	UNI EN ISO 9001	2023
Company	UNI CEI EN ISO IEC 27001	2023
Company	UNI EN ISO 14001	2023
Company	UNI ISO 45001	2023
Company	UNI CEI EN ISO 50001	2023
Company	UNI ISO 37001	2023

3.4.4 ANTICORRUPTION

The Italgas Group prohibits and actively cooperates in preventing and opposing, without exception, any form of corruption, public or private, active or passive, direct or indirect, both nationally and internationally.

In this context, Italgas adopts and implements specific measures to prevent and combat corruption risks potentially connected to company activities, including:

- the Model 231;
- the management System for preventing and combating corruption in compliance with the UNI ISO 37001:2016 standard ("Anti-Corruption System");
- the Policy for the prevention of and fight against corruption, which defines objectives and principles of the Anti-Bribery Management System;
- the Standard for the prevention of and fight against corruption that provides a systemic overview of reference of the regulatory tools adopted by Italgas to prevent and fight corruption;
- the Compliance Standard "*Reports received by Italgas and its Subsidiaries*" which governs the process for handling reports, including anonymous reports.

Adherence to and compliance with the anti-corruption measures adopted by Italgas is required of all stakeholders with whom the Group has relations, including employees, suppliers, intermediaries, business partners etc.

During 2023, no incidents of corruption were recorded.

Standard GRI 205-3 Confirmed incidents of corruption and actions taken	u.m.	2021	2022	2023
Total confirmed incidents of corruption	no.	0	0	0
Confirmed incidents of corruption with dismissal/disciplinary measure of employees	no.	0	0	0
Confirmed incidents of corruption with termination/non-renewal of contracts with business partners	no.	0	0	0

Standard GRI 205-2 Communication and training on anti-corruption policies and procedures⁶⁰	u.m.	2021	2022	2023
Anti-corruption training*	hours	1,950	4,132	5,286
Participations	no.	1,686	4,239	8,855 ⁶¹

* The training considered covers the following subjects: Code of Ethics, Model 231, Anti-corruption, Antitrust and Data Protection.

⁶⁰ During the period Sep-Dec 2022, the new Greek companies provided 30 hours of training on anti-corruption policies and procedures for 27 attendances.

⁶¹ In 2023, all board members were briefed on anti-corruption policies and procedures and 3,133 (69%) employees received training on anti-corruption policies and procedures.

ISO 37001

In October 2023, audits were carried out, which confirmed the certifications of compliance with the UNI ISO 37001:2016 standard, valid for the three-year period 2021-2024, of the Anti-Corruption Systems adopted by Italgas, Italgas Reti S.p.A, Nepta S.p.A., Geoside S.p.A., Medea S.p.A., Toscana Energia S.p.A., Bludigit S.p.A. and by the affiliated companies Umbria Distribuzione Gas S.p.A. and Metano Sant'Angelo Lodigiano S.p.A.

At the end of the audit activities, the certification body found no non-conformities, highlighting the following among the noteworthy elements of the Anti-Corruption Systems: (i) transparency and cooperation of the organisation; (ii) implementation of the principles of traceability and segregation of duties; (iii) integration of compliance controls also at the reporting level; (iv) proper management of compliance according to the continuous improvement approach.

With reference to the Greek companies, on 29 September 2023, Enaon EDA achieved certification of its Anti-Corruption System. Enaon, on the other hand, undertook activities for the implementation of the Anti-Corruption System, which will be audited in early 2024 in order to achieve certification according to UNI ISO 37001:2016.

CONFLICT OF INTEREST

The BoD periodically assesses the independence and integrity of the Directors and verifies that there are no grounds for ineligibility and incompatibility. On 14 June 2021, Italgas' Board of Directors updated a procedure which establishes the principles and rules which Italgas and its Subsidiaries should adhere to in order to ensure the transparency and essential and procedural correctness of transactions conducted by Italgas Group companies with related parties or "parties of interest" (the "Italgas Related-Party Transactions Procedure"). For further details on this matter, see the Corporate Governance and Ownership Structure Report, which contains information on, among other things, the existence of controlling shareholders and shareholders' agreements, parties that hold significant equity investments pursuant to applicable regulations, as well as the offices held by Italgas' Directors in other administrative or control bodies.

3.4.5 ANTITRUST

On 18 October 2016 the BoD approved its Antitrust Code of Conduct which defines the guidelines of the behaviour which all employees of the Italgas Group should conform to in order to guarantee the compliance with the principles dictated by the applicable regulations on antitrust issues.

The adoption of the Antitrust Code is part of the antitrust compliance programme promoted by the Italgas Group, which develops also through the establishment of an antitrust department within the Legal Department, which anyone in the Group can apply to for communications concerning the interpretation and application of the Antitrust Code and whenever a situation with potential antitrust risk arises.

Due to the evolution of the Italgas Group, on 27 July 2020, the BoD approved the update of the "Antitrust" Compliance Standard.

This update was preceded by an assessment aimed at verifying the level of adequacy with respect to the criteria established by the guidelines of the Italian Competition Authority, of the "Antitrust" Compliance Standard already in force for Group companies.

An Antitrust and Consumer Protection Manual is attached to the Antitrust and Consumer Protection Code of Conduct, which describes the main antitrust and consumer protection provisions and provides an overview of the most important decision-making practices of the Italian Competition Authority.

In November 2023, the mapping of corporate activities relevant for antitrust purposes and corporate figures who, due to their responsibilities, may be more exposed to the risk of committing an antitrust offence was initiated. Interviews of these figures were conducted in December. This was done in order to update the Code of Conduct and the related Antitrust and Consumer Protection Manual.

On 11 December 2023, the Boards of Directors of Enaon and Enaon EDA approved the Antitrust Compliance Standard in line with the Italgas Group's commitment and consequent activities. The document is consistent with the one adopted by the other Group companies, minus the necessary amendments deriving from the different reference context.

3.4.6 INTEGRATED SECURITY

Italgas has a security system characterised by an active protection approach that can involve and correlate all corporate events from different domains and areas, with the aim of preventing, acknowledging and mitigating potential security incidents (including cyber incidents) from simple signals and evidence.

The Group developed an approach that enables for the integrated management of different information levels and, in particular:

- The level of digital data and information infrastructures (Logical Domain), relating to all the technical and organisational safeguards aimed at safeguarding the confidentiality, integrity and availability of information.
- The level of material assets and staff (the "Physical Domain") or rather the set of measures, controls and solutions whose aim, is to guarantee suitable protection of the Group's people and infrastructures (offices and operative sites).
- The level of information (the "Information Domain") related to all measures that analyses seek to collect, manage and distribution information and instructions for the protection of the organisation's reputation, assets and for personal safety.

One concrete example of this vision of security is our new Italgas centre called the ISC³ (Integrated Security Cloud Command Centre).

CYBERSECURITY

The Italgas procedures establish that at least once a year, the Chief Security Officer (CSO) shall report to the Board of Directors and Control Bodies on the level of conformity with national and international regulations on cybersecurity and the corporate policies on technical-organisational measures able to manage risks and prevent cyber incidents. In addition, business continuity tests and cybersecurity assessments are performed once every six months.

The Group guarantees 24-hour monitoring and management of security events through a Next Generation Security Operation Centre (Next Generation-SOC). Italgas's cyber protection capabilities are supplemented by Cyber Threat Intelligence services that enable the preventive identification of cyber threats potentially targeting digital assets, information assets, and the Group's reputation.

The cybersecurity incident management process is structured into the following phases: detection, analysis and classification of the incident, mitigation and resolution of the incident, closure of the incident and reporting and continuous improvement.

In the last three years (2021-2023), there were no cybersecurity incidents that generated data breach events or compromised corporate systems. As a means of greater protection, Italgas has an insurance policy to cover cyber incidents.

The maturity level of its IT security is constantly being developed through initiatives to introduce new operational capabilities and technological upgrades. The effectiveness of the security posture is also verified and monitored through synthetic indicators (ratings) that, since 2021, have seen Italgas position itself among the most advanced organisations in the world and at the top of the energy sector in Italy and now also in Greece. Following the acquisition of Enaon (formerly DEPA Infrastructure), in 2022, the Group in fact conducted a transformation activity on the entire logical and physical scope of the Greek companies, also by virtue of initiatives such as the extension of Security Operation Centre services and endpoint security activities through the installation of agents and security tools.

In relation to the management of so-called "Third Parties", Italgas defines the information security requirements necessary to limit the risks associated with access to information. Italgas also

regulates supplier access to equipment used for processing information, implementing adequate security controls.

In order to consolidate the public-private collaboration network, Italgas systematically holds meetings with government authorities and defined memorandums of understanding with the Postal Service Police (CNAIPIC) and the national CSIRT; since 2021, it has been a member of the European Cyber Security Organisation (ECSO) in order to implement and strengthen its collaboration with the EU Commission, the European Union Agency for Cybersecurity (ENISA), Competence Centres and academia.

INFORMATION AND PERSONAL DATA SECURITY

Since 2018, Italgas has adopted the Data Protection Organisational Model, which formalises the roles and responsibilities regarding the protection of personal data processed in the context of company activities. The company has designated a Data Protection Officer (or “DPO”), identified from the Internal Audit Department, who is responsible for informing and advising the company departments involved in the processing of personal data, monitoring compliance with the Regulation, national provisions and company policies on the protection of personal data and cooperating with the Supervisory Authority. Italgas has established its own Data Protection policy in the form of a compliance standard, aimed at outlining the principles applicable to the processing of personal data and regulating specific tasks and functions, assigned within the corporate organisational structure to ensure the correct processing of personal data.

Furthermore, with reference to the provisions of Article 28 of the GDPR, all contractual agreements with suppliers that process personal data on behalf of Italgas include a specific “Data Protection Agreement”.

The Group has a Compliance Standard specifically dedicated to Data Breach management, as well as a “Data Protection Manual”, with the aim of providing clear and precise operational guidance, with reference to Privacy by Design and Privacy by Default, risk analysis and impact assessment, management of data subjects’ rights and management of persons authorised to process personal data. In order to handle cases of violations and to define an action plan, the “Privacy Incident Resolution Team” (PIRT), in which the Data Protection Officer participates, has been set up. The consequences of violations of the GDPR are detailed in specific notices to employees and include disciplinary actions provided for in the National Collective Labour Agreement, ranging from a verbal warning to a fine and, in the most serious cases, dismissal.

During the three-year period (2021-2023), Italgas updated its information mapping and classification process with the aim of implementing differentiated data protection strategies regarding the characteristics of confidentiality, integrity and availability of data.

In 2023, Bludigit started a process to obtain ISO/IEC 27001:2022 certification, aimed at certifying its system as compliant with the requirements set forth by the main international standard of reference on information security. The audit activities highlighted the maturity of the security controls, the awareness and competence of the staff and the management of information security based on a robust and consolidated system.

With reference to all Italgas Group companies, in the three-year period 2021-2023, no reports of data breaches, complaints relating to breaches of personal data or requests of any kind were received from the Data Protection Authority; no penalties were applied with reference to breaches of personal data protection regulations.

Italgas carries out audits to verify the degree of adequacy of its Data Protection Organisational Model in terms of compliance with applicable regulations. In particular, in 2023, the process adopted by Group companies to sign contracts with suppliers entrusted with the processing of personal data (“data protection agreement” pursuant to Article 28 GDPR) was subject to a third-party audit; the audit did not reveal any significant gaps.

During 2023, training courses were provided to the entire corporate population in order to increase the skill level regarding the context of threats, and the evolution of cyber security regulations.

Finally, at least once a year the Group Chief Security Officer reports to the Board of Directors and the Control Bodies on the context of cyber risks, the level of compliance with national and international regulations, and the technical-organisational measures adopted.

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4. SUMMARY FIGURES AND INFORMATION

4.1 MAIN EVENTS

EXTRAORDINARY TRANSACTIONS AND AREA TENDERS⁶²

- In March 2023, Italgas entered into exclusive negotiations with the Veolia Environnement S.A. Group for the acquisition of the shares held by the Veolia Group in certain companies active in the water service in the regions of Lazio, Campania and Sicily.
On 9 June, Italgas and Veolia signed the sale and purchase agreement and, following the conclusion of the procedure with the Licensing Authorities, the acquisition of the business unit, to which the concessions held in Italy in the water sector belonged, was completed on 16 October 2023, merging it with the concessions of Caserta and its province into Italgas Acqua S.p.A. At the same time, the Extraordinary Shareholders' Meeting of Italgas Acqua S.p.A. resolved to change the company name to Nepta S.p.A.
- On 13 April 2023, the subsidiary Italgas Reti signed an agreement for the distribution of natural gas in ATEM Turin 1, following the award of related area tender. The contract, effective from 1 May 2023 and with a duration of 12 years, involves a single management of the distribution service for all the Municipalities of the ATEM.
- In June 2023, the merger by incorporation of Janagas S.r.l. into Medea S.p.A. was finalised, with legal effects from 10 July 2023 and accounting and tax effects from 1 January 2023.
- In September 2023, effective as at 30 September 2023, the merger by incorporation was completed of the Greek-registered companies Gas Distribution Company Thessaloniki-Thessaly Single Member S.A. ("EDA Thess") and Attiki Natural Gas Distribution Single Member Company S.A. ("EDA Attikis") into Public Gas Distribution Single Member S.A. ("DEDA"), companies operating in the natural gas distribution sector of the DEPA Infrastructure Group. As a result of the merger, DEDA takes over all the rights, obligations and in general all the legal relationships that were held by EDA Thess and EDA Attikis. On 14 February 2024, the company name of DEPA Infrastructure was changed to *Enaon Sustainable Networks Single Member Société Anonyme* ("Enaon") and from DEDA to *Enaon EDA hellenic gas distribution Company Single Member Société Anonyme* ("Enaon EDA").
- In September 2023, Italgas Reti submitted its bid for the ATEM CATANZARO – CROTONE tender, for which the evaluation process is currently underway.
- On 29 November 2023, the Municipality of La Spezia contracting authority officially awarded Italgas Reti the tender for the management of the natural gas distribution service in the territorial area of "La Spezia", which encompasses the regional capital and 32 municipalities of the province. With the awarding of the ATEM, consisting of approximately 110 thousand customers served, Italgas is able to provide continuity in the management of the service and to actively contribute to the efficiency and decarbonisation of consumption through investments amounting to approximately € 230 million.

⁶² For more details, see the section on "Municipal territories under concession and tenders for territorial areas".

RATING AND OPTIMIZATION OF THE DEBT STRUCTURE

- On 1 June 2023, in implementation of the EMTN (Euro Medium Term Notes), Italgas concluded the launch of a new bond issue in the amount of € 500 million at a fixed rate with an annual coupon of 4.125% and maturing on 8 June 2032.
- On 29 September 2023, Italgas' Board of Directors resolved on the renewal of the EMTN Programme launched in 2016 and already renewed in 2017, 2018, 2019, 2020, 2021 and 2022, confirming the maximum nominal amount of € 6.5 billion, which was subscribed on 24 October 2023.
- On 20 November 2023, Fitch Ratings (Fitch) confirmed the long-term credit rating of Italgas, as BBB+ with Stable outlook.
- On 21 November 2023, the rating agency Moody's Investors service (Moody's) confirmed the long-term credit rating of Italgas as Baa2, revising the outlook from negative to stable. The rating action followed Moody's change of outlook from negative to stable for the Italian government's Baa3 debt rating on 17 November.

CAPITAL TRANSACTIONS

On 9 March 2023, in execution of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Board of Directors resolved on the free allocation of a total of 499,502 new ordinary shares of the Company to the beneficiaries of said Plan (third cycle of the Plan) and executed the third tranche of the share capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 619,382.48 taken from retained earnings reserves.

OTHER EVENTS

- In May 2023, Italgas ranked first among the only two Italian companies included by the American magazine Newsweek in its annual ranking of the "100 Global most loved workplaces", the list of companies most loved by their employees. The ranking takes into account a wide range of elements related to employee satisfaction and opinion, including the level of respect, cooperation, support and sense of belonging, and leadership of the CEO.
- On 5 June 2023, Italgas joined the Istituto Grandi Infrastrutture (IGI) as a member of the Board of Governors, with the aim of promoting innovation and efficiency in the implementation of large-scale infrastructure, with a focus on the energy sector.
- On 12 June 2023, Italgas and the City of Turin presented the project for the new Italgas hub dedicated to innovation, which will be built in Corso Regina Margherita. The hub will develop studies and research on methane, biomethane and green hydrogen, actively contributing to the process of decarbonisation and transition towards a more sustainable future. The campus will host the Group's Cyber Range, where the cyber security and resilience features of the new-generation digital equipment and systems will be developed and tested.
- On 4 December 2023, Italgas and Tokyo Gas Network signed a Memorandum of Understanding at the Italian Embassy in Tokyo to initiate collaboration in the strategic areas of gas distribution and aimed at the development of joint projects in the field of innovation and digitisation.

4.2 KEY FIGURES

In order to allow for a better assessment of the economic and financial performance, in addition to the conventional formats and indicators provided for by IAS/IFRS, the Directors' Report includes the reclassified financial statements and some alternative performance indicators, including, in particular, EBITDA ("gross operating margin"), EBIT ("operating profit") and net financial debt. These figures are presented in the tables below, the relative notes and the reclassified financial statements. For the definition of the terms used, when not directly specified, please refer to the chapter "Financial results, Non-GAAP Measures".

Key share figures

		31.12.2022	31.12.2023
Number of shares of share capital	(million)	810,245,718	810,745,220
Closing price at the end of period	(€)	5,19	5,18
Average closing price in the period ^(a)	(€)	5,5632	5,3288
Market capitalisation ^(b)	(€ million)	4,508	4,320
Exact market capitalisation ^(c)	(€ million)	4,205	4,200

^(a) Non-adjusted for dividends paid.

^(b) The product of the number of shares outstanding (exact number) multiplied by the average closing price in the period.

^(c) The product of the number of shares outstanding (exact number) multiplied by the closing price at the end of the period.

Key financial figures

(€ million)	2022	2023
Total revenues (*)	1,555.9	1,817.5
Adjusted total revenues (*)	1,537.3	1,774.8
EBITDA	1,101.3	1,207.6
Adjusted EBITDA	1,082.7	1,183.7
EBIT (operating profit)	641.4	681.2
Adjusted EBIT	622.8	681.2
Gross profit	588.5	586.1
Adjusted gross profit	567.2	586.1
Net profit	436.1	467.5
Adjusted net profit	416.3	467.5
Net profit attributable to the Group	407.3	439.6
Adjusted net profit attributable to the Group	395.7	439.6
Adjusted Earnings per share (**)	0.488	0.542

(*) Unlike the legal statement, the reclassified income statement requires the listing of Total revenues and Operating costs net of the impact of IFRIC 12 "Service concession agreements" (€ 727.8 and € 787.1 million respectively in 2022 and 2023), connection contributions (€ 19.2 and € 19.2 million respectively in 2022 and 2023), repayments from third parties and other residual components (€ 9.6 and € 15.0 million respectively in 2022 and 2023).

(**) The indicator is calculated as a ratio between the adjusted net profit attributable to the Group and the total number of shares, which is 810,245,718 at 31 December 2022 and 810,745,220 at 31 December 2023.

(€ million)	31.12.2022	31.12.2023
Net invested capital at the end of the end of period	8,390.7	9,235.0
Shareholders' equity	2,390.6	2,600.7
Net financial debt	6,000.1	6,634.3
Finance lease payables - IFRS 16	72.0	79.1
Net financial debt (excluding the effects pursuant to IFRS 16)	5,928.1	6,555.2

4.3 OPERATING PERFORMANCE



INFRASTRUCTURE

Italgas is the leader in Italy and in Greece in the industry of natural gas distribution and is the third largest operator in Europe. The distribution service consists of transporting gas through local pipeline networks, from points of delivery at the reduction and measurement stations interconnected with the transport networks ("city-gates") up to the final delivery points to customers (households, enterprises, etc.). Furthermore, Italgas is engaged in metering activities, which consist of determining, gathering, making available and archiving metering data on natural gas withdrawn over the distribution networks.

Collection cabins are equipment that link local distribution networks to the national gas pipeline network. They are complex systems that must perform different functions, including the measurement of the gas collected and a first reduction of the pressure to allow routing through the urban network. Currently Italgas has collection cabins equipped with advanced remote control and smart metering systems. Remote control allows the fastest possible intervention in case of anomalies; smart metering allows the continuous detection of a series of parameters relative to the management of gas flows as well as the detection of the quantity of gas entering the networks.

The systems for the reduction of pressure are devices placed along the distribution network and have the task to bring the pressure of the gas at the right level in relation to the type of use.

INVESTMENTS

In 2023, technical investments were made for € 906.5 million (31 December 2022: € 814.3 million), of which € 37.0 million relating to investments accounted for in accordance with IFRS 16.

(milioni di €)	2022	2023	Abs. change	% Change
Distribution	520.4	538.9	18.5	3.6
Network development and maintenance	473.5	420.7	(52.8)	(11.2)
New networks	46.8	118.2	71.4	-
Digitisation	235.7	283.4	47.7	20.2
Other assets	165.2	152.4	(12.8)	(7.7)
Metering	43.3	110.0	66.7	-
Processes	27.2	21.0	(6.2)	(22.8)
Other investments	58.2	84.2	26.0	44.7
- of which Real Estate	6.8	13.3	6.5	95.6
- of which ICT	18.2	26.2	8.0	44.0
- of which the effect of IFRS 16	26.0	37.0	11.0	42.3
	814.3	906.5	92.2	11.3

Distribution investments (€ 538.9 million, +3.6% compared to the same period in 2022) recorded the installation of an additional 965 km of pipeline (of which 724 km are in operation). The increase compared to the corresponding period of 2022 was driven by the inclusion in the scope of consolidation of the Greek companies, which in 2023 finalised the installation of an additional 598 km of pipelines (of which 433 km are in operation).

Investments in digitisation (€ 283.4 million, +20.2% compared to the same period in 2022) mainly refer to the installation of digital data acquisition devices for the control and monitoring of the distribution network, plants and for metering⁶³.

OPERATING FIGURES

The key operating figures are presented in the chapter “Business Segment Operating Performance” of this Integrated Annual Report.

⁶³ As at 31 December 2023, the plan to replace traditional meters with smart meters in Italy, including affiliated companies, reached a total of 7.7 million smart meters installed (almost all of those active). As at 31 December 2023, the digital meter stock installed by the Enaon Group amounted to 64.4 thousand units.

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ECONOMIC AND FINANCIAL RESULTS AND OTHER INFORMATION

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5. ECONOMIC AND FINANCIAL RESULTS AND OTHER INFORMATION

5.1 ECONOMIC AND FINANCIAL RESULTS⁶³

5.1.1 RECLASSIFIED INCOME STATEMENT

(€ million)	2022	2023	Abs. change	Change %
Regulated revenue	1,313.5	1,493.9	180.4	13.7
of which distribution revenues	1,225.8	1,363.2	137.4	11.2
of which Other distribution revenues	87.7	130.7	43.0	49.0
of which special items	-	42.7	42.7	-
Other revenues	242.4	323.6	81.2	33.5
of which special items	18.6	-	(18.6)	-
Total revenues (*)	1,555.9	1,817.5	261.6	16.8
Adjusted total revenues (*)	1,537.3	1,774.8	237.5	15.4
Operating costs (*)	(454.6)	(609.9)	(155.3)	34.2
of which special items	-	(18.8)	(18.8)	-
EBITDA	1,101.3	1,207.6	106.3	9.7
Adjusted EBITDA	1,082.7	1,183.7	101.0	9.3
Amortisation, depreciation and impairment	(459.9)	(526.4)	(66.5)	14.5
of which special items	-	(23.9)	(23.9)	-
EBIT (operating profit)	641.4	681.2	39.8	6.2
Adjusted EBIT	622.8	681.2	58.4	9.4
Net financial expense	(56.3)	(98.2)	(41.9)	74.4
Net income from equity investments	3.4	3.1	(0.3)	(8.8)
of which gas distribution	3.4	1.5	(1.9)	(55.9)
of which special items	2.7	-	(2.7)	-
of which integrated water service	-	1.6	1.6	-
Gross profit	588.5	586.1	(2.4)	(0.4)
Adjusted gross profit	567.2	586.1	18.9	3.3
Income taxes	(152.4)	(118.6)	33.8	(22.2)
taxation related to special items	(1.5)	-	1.5	-
Adjusted income taxes	(150.9)	(118.6)	32.3	(21.4)
Net profit	436.1	467.5	31.4	7.2
Net profit attributable to the Group	407.3	439.6	32.3	7.9
Net profit attributable to minority shareholders	28.8	27.9	(0.9)	(3.1)
Adjusted net profit	416.3	467.5	51.2	12.3
Adjusted net profit attributable to the Group	395.7	439.6	43.9	11.1
Adjusted net profit attributable to minority interests	20.6	27.9	7.3	35.4

(*) Unlike the legal statement, the reclassified income statement requires the listing of Total revenues and Operating costs net of the impact of IFRIC 12 "Service concession agreements" (€ 727.8 and € 787.1 million respectively in 2022 and 2023), connection contributions (€ 19.2 and € 19.2 million respectively in 2022 and 2023), repayments from third parties and other residual components (€ 9.6 and € 15.0 million respectively in 2022 and 2023).

For a broader representation of the sectors, reference should be made to the chapter "Business Segment Operating Performance".

⁶³ The section refers to the Italgas Group, which comprises: Italgas S.p.A., Italgas Reti S.p.A., Medea S.p.A., Nepta S.p.A., Acqua S.r.l., Idrosicilia S.p.A., Idrolatina S.r.l., Toscana Energia S.p.A., Immogas S.r.l., Geoside S.p.A., Bludigit S.p.A., Italgas Newco S.p.A., Enaon Group.

5.1.2 RECONCILIATION OF REPORTED EBIT AND NET PROFIT WITH ADJUSTED EBIT AND NET PROFIT

Italgas' management assesses Group performance on the basis of alternative performance indicators⁶⁴ not envisaged by IFRS, obtained by excluding special items from EBIT and net profit.

The income components are classified as special items, if significant, when: (i) they result from non-recurring events or transactions or from transactions or events which do not occur frequently in the ordinary course of business; or (ii) they result from events or transactions which are not representative of the normal course of business.

The tax rate applied to the items excluded from the calculation of adjusted net profit is determined on the basis of the nature of each revenue item subject to exclusion. Adjusted EBIT and adjusted net profit are not provided for by either IFRS or other standard setters. These performance metrics allow for analysis of the business trends, making it easier to compare results. The NON-GAAP financial report must be considered complementary to and not replacing the reports prepared according to IFRS.

The income components classified in the special items for the year 2023, with an impact of € 23.9 million on EBITDA and nil on EBIT, relate to the effects arising from the implementation of Resolution no. 737/2022/R/gas in terms of the recognition of the residual value of smart meter of a class not exceeding G6 produced up to the year 2016 and entered into operation by the year 2018 (revenue: € 42.7 million and charges and impairments relating to defective smart meters in the same amount overall).

It should be noted that the income items classified under special items in the year 2022, amounting to € 21.3 million, related to:

- the capital gain on the sale of the controlling interest in Gaxa to Edison (€ 2.7 million);
- the capital gain from the transfer of Medea's transmission assets to Energie Reti Gas (€ 5.1 million);
- the recognition at fair value (€ 13.5 million), in application of IFRS 3, of the Janagas' assets, a company acquired by Fiamma 2000.

⁶⁴ For the definition of alternative performance indicators, reference should be made to the chapter "Non-GAAP Measures" in this report.

(€ million)	2022	2023
Total revenues	1,555.9	1,817.5
<i>Excluding special items</i>	<i>(18.6)</i>	<i>(42.7)</i>
- capital gain from the transfer and sale of Medea's transport assets to ERG	(5.1)	-
- recognition of Janagas' assets at fair value	(13.5)	-
- contribution pursuant to ARERA Resolution no. 737/2022/R/gas	-	(42.7)
Adjusted total revenues	1,537.3	1,774.8
Total operating costs	(454.6)	(609.9)
- smart meter charges	-	18.8
Adjusted total operating costs	(454.6)	(591.1)
EBITDA	1,101.3	1,207.6
<i>Excluding special items</i>	<i>(18.6)</i>	<i>(23.9)</i>
Adjusted EBITDA	1,082.7	1,183.7
Amortisation, depreciation and impairment	(459.9)	(526.4)
- depreciation and impairment related to smart meters	-	23.9
Adjusted amortisation, depreciation and impairment	(459.9)	(502.5)
EBIT (operating profit)	641.4	681.2
<i>Excluding special items</i>	<i>(18.6)</i>	-
Adjusted EBIT	622.8	681.2
Net financial expense	(56.3)	(98.2)
Net income from equity investments	3.4	3.1
<i>Excluding special items</i>	<i>(2.7)</i>	-
- capital gain from the sale of the controlling interest in Gaxa	(2.7)	-
Adjusted net income from equity investments	0.7	3.1
Gross profit	588.5	586.1
<i>Excluding special items</i>	<i>(21.3)</i>	-
Adjusted gross profit	567.2	586.1
Income taxes	(152.4)	(118.6)
<i>Excluding special items</i>	<i>1.5</i>	-
Net profit (loss)	436.1	467.5
Net profit (loss) attributable to the Group	407.3	439.6
Net profit (loss) attributable to minority interests	28.8	27.9
Adjusted net profit (loss)	416.3	467.5
Adjusted net profit (loss) attributable to the Group	395.7	439.6
Adjusted net profit (loss) attributable to minority interests	20.6	27.9

5.1.3 ANALYSIS OF THE RECLASSIFIED INCOME STATEMENT ITEMS

TOTAL REVENUES

(€ million)	2022	2023	Abs. change	Change %
Total regulated revenues	1,313.5	1,493.9	180.4	13.7
Distribution revenues	1,225.8	1,363.2	137.4	11.2
Other distribution revenues	87.7	130.7	43.0	49.0
<i>of which special items</i>	-	42.7	42.7	-
Total adjusted regulated revenues	1,313.5	1,451.2	137.7	10.5
Other revenues	242.4	323.6	81.2	33.5
<i>of which special items</i>	18.6	-	(18.6)	-
Adjusted other revenues	223.8	323.6	99.8	44.6
Total revenues	1,555.9	1,817.5	261.6	16.8
Adjusted total revenues	1,537.3	1,774.8	237.5	15.4

Adjusted total revenues as at 31 December 2023 amounted to € 1,774.8 million, an increase of € 237.5 million compared to the corresponding period of 2022 (+15.4%) and refer to regulated revenues (€ 1,451.2 million) and other revenues (€ 323.6 million). As at 31 December 2023, revenues from the Enaon Group amounted to € 168.6 million, while revenues from energy efficiency activities amounted to € 298.9 million, driven by the completion of the construction sites related to the "Super/Ecobonus".

Adjusted regulated revenues increased by € 137.3 million compared to the corresponding period of 2022 mainly due to the increase in distribution revenues (€ +137.4 million).

The increase in **distribution revenues** (€ +137.4 million) is mainly attributable to the consolidation of the Enaon Group (€ +115.6 million), the increase in the RAB and the deflator (€ +45.6 million), and the effects of the ARERA Resolution relating to smart reading/remote management parametric remuneration (€ +9.3 million), effects that were partially offset by the absence of revenues from ATEM Naples 1 (€ -46.0 million). Finally, the increase in revenues due to inflation slightly more than offset the X-factor.

Other adjusted revenues (€ 323.6 million) increased by € 99.8 million compared to 2022, mainly due to the increase in energy efficiency activities partially offset by the absence of the capital gain resulting from the sale of ATEM Naples 1.

OPERATING COSTS

(€ million)	2022	2023	Abs. change	Change %
Fixed gas distribution costs	244.8	263.8	19.0	7.7
- net personnel cost	148.8	162.8	14.0	9.4
- net external costs	96.0	101.0	5.0	5.2
Other assets	143.6	250.5	106.9	74.4
- net personnel cost	6.9	7.7	0.8	11.8
- net external costs	136.7	242.8	106.1	77.6
Other costs and provisions	(1.0)	27.1	28.1	-
<i>of which special items</i>	-	18.8	18.8	-
EEC	1.8	1.6	(0.2)	(12.9)
Concession-related expenses	65.4	66.9	1.5	2.3
Operating costs	454.6	609.9	155.3	34.2
Adjusted operating costs	454.6	591.1	136.5	30.0

Adjusted operating costs as at 31 December 2023 amounted to € 591.1 million, an increase of € 136.5 million compared to the corresponding 2022 period, essentially driven by the increase in the energy efficiency activity in the amount of € 116.7 million and the consolidation of the Enaon Group in the amount of € 34.2 million, partially offset by lower costs related to the sale of Gaxa (€ -11.0 million).

AMORTISATION, DEPRECIATION AND IMPAIRMENT

(€ million)	2022	2023	Abs. change	Change %
Amortisation and depreciation	459.0	503.4	44.4	9.7
Intangible assets IFRIC 12	375.1	413.4	38.3	10.2
Other Intangible Assets	41.9	42.6	0.7	1.7
Property, plant and equipment	42.0	47.4	5.4	12.9
- of which amortisation of Right of Use	24.6	29.7	5.1	20.7
Depreciation and impairment (net of utilisations)	0.9	23.0	22.1	-
<i>of which special items</i>	-	23.9	23.9	-
Amortisation, depreciation and impairment	459.9	526.4	66.5	14.5
Adjusted amortisation, depreciation and impairment	459.9	502.5	42.6	9.3

Adjusted amortisation, depreciation and impairment amounted to € 502.5 million as at 31 December 2023, an increase of € 42.6 million (+9.3%) compared to the corresponding 2022 period, mainly due to investments made in 2023 and the change in the scope of consolidation related to the Enaon Group (€ 26.5 million).

NET FINANCIAL EXPENSE

(€ million)	2022	2023	Abs. change	Change %
Expense (income) on short-term and long-term financial debt	52.7	94.8	42.1	79.9
Upfront fee	6.7	6.1	(0.6)	(9.0)
Other net financial expense (income)	(1.5)	(1.3)	0.2	(13.3)
- Expenses (income) related to the discounting of environmental provisions and provisions for employee benefits	0.6	4.0	3.4	-
- Other net financial expense (income)	(2.1)	(5.3)	(3.2)	-
Financial expense capitalised	(1.6)	(1.4)	0.2	(12.5)
Net financial expense	56.3	98.2	41.9	74.4

Net financial expense as at 31 December 2023 amounted to € 98.2 million, up by € 41.9 million on the same period of the previous year. The increase is mainly attributable to the new bond issue carried out in June 2023 in the amount of € 500 million, to the full-year impact of the new EIB loan signed in December 2022 for Geoside projects, to the costs of assigning the VAT credit resulting from the application of the so-called "Bonus Gas", to the contribution of the Enaon Group and to the change in interest rates on the variable component of debt.

NET INCOME FROM EQUITY INVESTMENTS

The **adjusted net income from equity investments** as at 31 December 2023 amounted to € 3.1 million and refers to the contribution of affiliated companies valued using the equity method; in particular, the water companies contributed € 1.6 million from the date of acquisition (Acqualatina for € 1.1 million and Siciliacque for € 0.5 million). For more details, please refer to the analysis by business segment.

INCOME TAXES

(€ million)	2022	2023	Abs. change	Change %
Current taxes	160.8	152.7	(8.1)	(5.0)
Net deferred taxes	(8.4)	(34.1)	(25.7)	-
Income taxes	152.4	118.6	(33.8)	(22.2)
<i>taxation related to special items</i>	<i>(1.5)</i>	-	<i>1.50</i>	-
Adjusted income taxes	150.9	118.6	(32.3)	(21.4)
Effective tax rate (%)	25.9%	20.2%		
Adjusted effective tax rate (%)	26.6%	20.2%		

Adjusted income taxes as at 31 December 2023 amounted to € 118.6 million, a decrease of € 32.3 million. The **tax rate** was 20.2% (25.9% in 2022). The change compared to the corresponding figure for the previous year essentially relates to the benefit connected with the so-called patent box (€ 39.4 million).

The reconciliation of the theoretical tax rate with the effective tax rate is described in the note "Income taxes" in the Notes to the consolidated financial statements.

5.1.4 RECLASSIFIED STATEMENT OF FINANCIAL POSITION

The Reclassified Statement of Financial Position combines the assets and liabilities of the mandatory format included in the consolidated financial statements based on the criterion of how the business operates, conventionally split into the three basic functions of investment, operations and financing.

The statement provided represents useful information for the investor because it makes it possible to identify the sources of financial resources (own and third-party funds) and uses of financial resources in fixed and working capital.

The Italgas' Reclassified Statement of Financial Position as at 31 December 2023, compared with that as at 31 December 2022, is summarised below:

(€ million)	31.12.2022	31.12.2023	Abs. change
Fixed capital (*)	8,120.6	8,421.4	300.8
Property, plant and equipment	379.0	386.0	7.0
Intangible assets	7,975.5	8,250.3	274.8
Equity investments	66.2	153.0	86.8
Financial receivables and securities instrumental to operations	3.4	2.6	(0.8)
Net payables related to investments	(303.5)	(370.5)	(67.0)
Net working capital	340.0	872.3	532.3
Provisions for employee benefits	(69.9)	(65.3)	4.6
Assets held for sale and directly related liabilities	-	6.6	6.6
NET INVESTED CAPITAL	8,390.7	9,235.0	844.3
Shareholders' equity	2,390.6	2,600.7	210.1
- attributable to the Italgas Group	2,108.3	2,280.0	171.7
- attributable to minority shareholders	282.3	320.7	38.4
Net financial debt (**)	6,000.1	6,634.3	634.2
FUNDING	8,390.7	9,235.0	844.3

(*) Net of the effects deriving from the application of IFRS 15.

(**) As at 31 December 2023, the item includes the effects of applying IFRS 16 in the amount of € 79.1 million. As at 31 December 2022, the item: i) includes the effects of applying IFRS 16 amounting to € 72.0 million; ii) does not include liabilities amounting to € 34.8 million consisting of the pro-rata share of the shareholder's loan, subordinated and convertible into shares, subscribed by the shareholder Phaeton Holding SA, and deemed not to be financial debt. Net financial debt including the effects of this shareholders' loan amounted to € 6,034.9 million.

The **net invested capital** at 31 December 2023 amounted to € 9,235.0 million and consists of the items outlined below.

Fixed capital (€ 8,421.4 million) was up by € 300.8 million on 31 December 2022.

1 DIRECTORS' REPORT

Below is an analysis of the change in **Property, plant and equipment** and **Intangible assets**:

(€ million)	Property, plant and equipment	IFRIC 12 assets	Intangible assets	Total
Balance at 31 December 2022	379.0	7,670.6	328.0	8,354.5
Investments	61.5	795.6	49.4	906.5
- of which IFRS 16	37.0	-	-	37.0
Amortisation, depreciation and impairment	(70.4)	(413.4)	(42.6)	(526.4)
- of which D&A pursuant to IFRS 16	(29.7)	-	-	(29.7)
Subsidies	-	(42.9)	-	(42.9)
Disposals and sales	(2.4)	(64.4)	(0.4)	(67.2)
Restated assets held for sale	-	(6.6)	-	(6.6)
Other changes	18.3	(24.6)	1.6	(4.7)
Balance at 31 December 2023	386.0	7,914.3	336.0	8,636.3

Intangible fixed assets (€ 8,250.3 million) mainly include assets for services in concession posted in the accounts pursuant to IFRIC 12 (€ 7,914.3 million).

Tangible fixed assets (€ 386.0 million), which mainly relates to property, plant and equipment, recorded an increase of € 7.0 million principally due to investments for the period of € 61.5 million (of which € 37.0 million related to the application of IFRS 16) partially offset by depreciation of € 70.4 million (of which € 29.7 million related to the right of use under IFRS 16).

Equity investments (€ 153.0 million) increased by € 86.8 million, mainly due to the acquisition of the water companies (Acqualatina for € 32.6 million and Siciliacque for € 52.8 million).

Consolidated net working capital at 31 December 2023 amounts to € 872.3 million and is broken down as follows:

(€ million)	31.12.2022	31.12.2023	Abs. change
Trade receivables	315.7	694.3	378.6
Inventories	120.5	79.1	(41.4)
Tax receivables	116.7	319.6	202.9
Other assets	1,003.7	434.5	(569.2)
Trade payables	(709.4)	(278.3)	431.1
Provisions for risks and charges	(144.3)	(109.9)	34.4
Deferred tax liabilities	(91.6)	(47.8)	43.8
Tax payables	(28.2)	(30.2)	(2.0)
Other liabilities	(243.1)	(189.0)	54.1
	340.0	872.3	532.3

Compared to 31 December 2022, net working capital increased by € 532.3 million mainly due to: i) higher trade receivables (€ 378.6 million) mainly due to the increase in receivables from sales companies of € 252.4 million, receivables from CSEA for equalisation of € 41.6 million and receivables related to the "Super/Ecobonus" of € 87.8 million; ii) increase in net tax assets (€ 244.7 million) mainly attributable to the higher tax receivable from the "Super/Ecobonus" of € 221.2 million; iii) a decrease in other assets (€ 569.2 million) essentially with respect to the CSEA for ancillary components of the distribution billing⁶⁵ and incentives; iv) a decrease in trade payables (€ 431.1 million) due to the cancellation of the debt position with sales companies (€ 445.9 million) mainly for "Bonus Gas" and UG2 offset by the reduction in payables to suppliers (€ 14.9 million); v) a reduction in other liabilities (€ 54.1 million) mainly related to the loan to Italgas Newco S.p.A. by the shareholder Phaeton Holding SA (€ 34.8 million) and other ancillary billing components (€ 13.6 million).

The Group has finalised factoring agreements with financial counterparties, on the basis of which receivables owed to the Company and to its subsidiaries can be factored without recourse. In particular, transactions for the assignment of extraordinary VAT receivables totalling € 118.2 million were finalised during the year.

NET FINANCIAL DEBT

(€ million)	31.12.2022	31.12.2023	Abs. change
Financial and bond debt	6,510.8	6,920.3	409.5
Short-term financial debt (*)	121.1	1,000.3	879.2
Long-term financial debt	6,317.7	5,840.9	(476.8)
Finance lease payables - IFRS 16	72.0	79.1	7.1
Funding derivative contracts Cash flow Hedge	(52.5)	(31.8)	20.7
Short-term contracts	(17.1)	(18.1)	(1.0)
Long-term contracts	(35.4)	(13.7)	21.7
Financial receivables and cash and cash equivalents	(458.2)	(254.2)	204.0
Cash and cash equivalents	(451.9)	(250.0)	201.9
Financial receivables	(6.1)	(4.2)	1.9
Securities not instrumental to operations	(0.2)	-	0.2
Net financial debt (**)	6,000.1	6,634.3	634.2
Finance lease payables - IFRS 16	72.0	79.1	7.1
Net financial debt (excluding the effects pursuant to IFRS 16) (**)	5,928.1	6,555.2	627.1

(*) These include the short-term portions of long-term financial debt.

(**) As at 31 December 2022, net financial debt does not include liabilities of € 34.8 million consisting of the pro-rata share of the shareholder loan, including interest, to Italgas NewCo, subordinated and convertible into shares, subscribed by the shareholder Phaeton Holding SA, deemed not to be financial debt. As at 31 December 2023, € 24.8 million of the liability was converted into equity.

As at 31 December 2023, **net financial debt**, excluding the impacts of financial liabilities pursuant to IFRS 16 of € 79.1 million (€ 72.0 million as at 31 December 2022), amounted to € 6,555.2 million, up by € 627.1 million from 31 December 2022 (€ 5,928.1 million).

Gross financial and bond debt as at 31 December 2023 totalled € 6,920.3 million (€ 6,510.8 million as at 31 December 2022) and refer to: bonds (€ 4,992.3 million), loan agreements with the European Investment Bank (EIB) (€ 890.5 million), payables to banks (€ 958.4 million) and financial liabilities pursuant to IFRS 16 (€ 79.1 million).

Cash and cash equivalents and **financial receivables** amounted to € 254.2 million and decreased by € 204.0 million compared to 31 December 2022.

⁶⁵ The change mainly concerns the "Bonus gas" and UG2 components aimed at reducing the expenditure incurred for the supply of natural gas by households in economically disadvantaged conditions, which will be reimbursed by ARERA in accordance with the regulations in force.

1 DIRECTORS' REPORT

As at 31 December 2023, the breakdown of gross financial debt by type of interest rate, inclusive of liabilities for leases pursuant to IFRS 16 was as follows:

(€ million)	31.12.2022	%	31.12.2023	%
Fixed rate	5,905.8	90.7%	6,361.7	91.9%
Floating rate	605.0	9.3%	558.6	8.1%
Gross financial debt	6,510.8	100.0%	6,920.3	100.0%

Fixed-rate financial liabilities amounted to € 6,361.7 million and mainly refer to bonds (€ 4,992.3 million), five EIB loans (€ 790.4 million), bank loans (€ 499.9 million) and financial liabilities pursuant to IFRS 16 (€ 79.1 million). The increase in fixed-rate financial liabilities (€ 455.9 million) is mainly due to the effect of the bond issue for a nominal € 500 million maturing in June 2032, partially offset by the repayment of capital of EIB loans.

Floating-rate financial liabilities amounted to € 558.6 million and refer mainly to bank loans and Bond Loans taken out by the Greek group Enaon (€ 458.6 million) and an EIB loan (€ 100.0 million).

Some of these contracts provide, inter alia, for the following: (i) negative pledge undertakings, pursuant to which Italgas and the subsidiaries are subject to limitations regarding the creation of real rights of guarantee or other restrictions concerning all or part of the respective assets, shares or goods; (ii) *pari passu* and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out.

As at 31 December 2023, there were no loan agreements containing financial covenants, with the exception of an EIB loan with a nominal value of € 90 million signed by Toscana Energia.

As at 31 December 2023, these commitments were respected.

STATEMENT OF COMPREHENSIVE INCOME

(€ million)	2022	2023
Net profit	436.1	467.5
Other comprehensive income		
<i>Components reclassifiable to the income statement:</i>		
Change in fair value of cash flow hedge derivatives (Effective portion)	56.6	(21.6)
Tax effect	(13.6)	5.2
	43.0	(16.4)
<i>Components not reclassifiable to the income statement:</i>		
Actuarial gains (losses) from remeasurement of defined benefit plans for employees	11.7	0.2
Change in fair value of investments measured at fair value with effects on OCI	0.80	(0.5)
Tax effect	(3.5)	0.1
	9.0	(0.2)
Total other components of comprehensive income, net of tax effect	52.0	(16.7)
Total comprehensive income for the year	488.1	450.8
Attributable to:		
- Italgas	458.8	423.8
- Minority interests	29.3	27.0
	488.1	450.8

SHAREHOLDERS' EQUITY

(€ million)

Shareholders' equity as at 31 December 2022	2,390.6
of which:	
- <i>Group shareholders' equity</i>	2,108.3
- <i>Shareholders' equity of minority shareholders</i>	282.3
Increase for:	
- 2023 profit for the year	467.5
of which:	
<i>Profit attributable to the Group</i>	439.6
<i>Profit attributable to minority shareholders</i>	27.9
- Stock grant reserve	2.2
- IAS 19 valuation reserve	0.2
- Cash Flow Hedge valuation reserve	(16.4)
- Fair value valuation reserve for equity investments	(0.4)
Decrease for:	
- Italgas 2022 dividend distribution	(257.2)
- 2022 dividend distributed to minority shareholders (*)	(12.8)
- Other changes	
of which:	
- <i>Attributable to the Group</i>	2.9
- <i>Attributable to minority shareholders</i>	24.1
Group shareholders' equity	2,280.0
Shareholders' equity of minority shareholders	320.7
Shareholders' equity as at 31 December 2023	2,600.7

(*) This is the extraordinary dividend paid by Toscana Energia.

5.1.5 RECLASSIFIED STATEMENT OF CASH FLOWS

The reclassified statement of cash flows provided is the summary of the legally required cash flow statement. The reclassified statement of cash flows makes it possible to reconcile the change in cash and cash equivalents at the start and end of the period with the change in net financial debt at the start and end of the period. The measure which allows for the reconciliation between the two statements is the free cash flow⁶⁶, i.e. the cash surplus or deficit remaining after the financing of investments.

(€ thousands)	2022	2023
Net profit	436.1	467.5
Net profit excluding the Energy Efficiency Sector (ESCO)	418.3	433.6
Correction:		
- Amortisation and depreciation and other non-monetary components	469.9	525.5
- Net capital losses (capital gains) on asset sales and eliminations	(30.8)	19.1
- Interest and income taxes	208.7	216.6
Change in working capital due to operating activities	(311.5)	(470.7)
Dividends, interest and income taxes collected (paid)	(200.7)	(202.8)
Cash flow from operating activities (*)	571.7	555.2
Cash flow from operating activities net of flow from the energy efficiency sector (ESCO) (*)	661.4	808.5
Technical investments	(766.1)	(844.3)
Other changes related to investments activities	47.8	61.5
Divestments and other changes	325.4	20.6
Free cash flow before M&A transactions	178.8	(207.0)
Free cash flow before Merger and Acquisition net of flow from the Energy Efficiency Sector (ESCO)	270.2	46.4
Companies included in the scope of consolidation	(958.7)	(76.9)
Acquisition of companies, plant and financial assets	(23.1)	(1.4)
Free cash flow	(803.0)	(285.3)
Free cash flow net of flow from the energy efficiency sector (ESCO)	(711.6)	(31.9)
Change in short- and long-term financial debt and financial receivables	132.1	384.9
Reimbursements of financial liabilities for leased assets	(27.9)	(31.0)
Capital contribution from third parties	12.3	-
Equity cash flow	(253.3)	(270.5)
Other changes	-	-
Net cash flow for the year	(939.8)	(201.9)
Net cash flow from the net energy efficiency year (ESCO)	(848.4)	51.5

(*) Net of the effects deriving from the application of IFRS 15.

⁶⁶ The free cash flow alternatively represents: (i) the change in cash for the period, after the addition/subtraction of cash flows relating to financial payables/receivables (usage/repayment of financial receivables/payables) and equity (payment of dividends/capital contributions); (ii) the change in net financial debt for the period, after the addition/subtraction of flows of debt relating to equity (payment of dividends/capital contributions).

CHANGE IN NET FINANCIAL DEBT

(€ thousands)	2022	2023
Free cash flow before M&A transactions	178.8	(207.0)
Change due to acquisitions of equity investments, business units and assets	(981.9)	(78.3)
Increase in finance lease payables	(29.9)	(36.9)
Equity cash flow	(253.3)	(270.5)
Capital contribution from third parties	12.3	-
Other changes (Difference between interest accounted for, and paid fair value of derivatives)	59.8	(41.5)
Change in net financial debt	(1,014.2)	(634.2)

Cash flow from operating activities amounted to € 555.2 million. Net of the cash flow absorbed by the ESCo as at 31 December 2023, the cash flow from operations related mainly to gas distribution activities amounted to € 808.5 million (up 22.2% compared to the same period in 2022). Taking into account the payment of the dividend of € 270.5 million, the increase in net financial debt amounted to € 634.2 million, including IFRS 16.

5.2 ECONOMIC AND FINANCIAL RESULTS OF ITALGAS S.P.A.

Italgas S.p.A. was incorporated on 1 June 2016 and listed on the Milan Stock Exchange from 7 November 2016.

5.2.1 RECLASSIFIED INCOME STATEMENT

In view of Italgas S.p.A.'s nature as an industrial investment holding, the following reclassified Income Statement has been prepared, which inverts the order of the income statement items under Leg. Decree 127/91, presenting first those which relate to the financial operations, as this is the most significant income component for those companies⁶⁷.

(€ million)	2022	2023	Abs. change	Change %
Income from investments	270.1	296.1	26.0	9.6
<i>of which special items</i>	1.9	-	(1.9)	-
Interest income	52.9	103.7	50.8	96.0
Interest expenses and other financial expenses	(57.2)	(84.2)	(27.0)	47.2
Financial income and expenses	265.8	315.6	49.8	18.7
Adjusted financial income and expenses	263.9	315.6	51.7	19.6
Income from services	83.8	77.7	(6.1)	(7.3)
Other operating income	83.8	77.7	(6.1)	(7.3)
Other operating costs				
For staff	(48.7)	(48.7)	-	-
For performance of non-financial services and other costs	(37.7)	(32.5)	5.2	13.8
Amortisation and depreciation	(2.2)	(2.7)	(0.5)	(22.7)
Total of other operating costs	(88.6)	(83.9)	4.7	5.3
Gross profit	261.0	309.4	48.4	18.5
Adjusted gross profit	259.1	309.4	50.3	19.4
Income taxes	(1.2)	(8.0)	(6.8)	566.7
Net profit	259.8	301.4	41.6	16.0
Adjusted net profit	257.9	301.4	43.5	16.9

The **net profit** achieved in 2023 amounted to € 301.4 million, up by € 43.5 million from the corresponding value for 2022.

The income component classified in special items in 2022 relates to the capital gain on the sale of the controlling interest in Gaxa to Edison (€ 1.9 million), net of the related taxation.

⁶⁷ See Consob Communication 94001437 of 23 February 1994.

5.2.2 ANALYSIS OF THE RECLASSIFIED INCOME STATEMENT ITEMS

FINANCIAL INCOME AND EXPENSES

(€ million)	2022	2023	Abs. change	Change %
Income from investments	270.1	296.1	26.0	9.6
<i>of which special items</i>	1.9	-	(1.9)	-
Interest income	52.9	103.7	50.8	96.0
Interest expenses and other financial expenses	(57.2)	(84.2)	(27.0)	47.2
Adjusted financial income and expenses	263.9	315.6	51.7	19.6
Total financial income and expenses	265.8	315.6	47.9	152.9

Income from equity investments (€ 296.1 million) essentially includes the dividends distributed by Italgas Reti subsidiaries (€ 282.0 million) and Toscana Energia (€ 13.2 million).

Interest income (€ 103.7 million) essentially relates to income from the intragroup loans granted by Italgas to its subsidiaries.

Interest expense and other financial expense (€ 84.2 million) refers to the costs relating to financial debt, and essentially concerns bond loan expense⁶⁸ (€ 58.4 million) and loans from banks (€ 25.6 million).

OTHER OPERATING INCOME

(€ million)	2022	2023	Abs. change	Change %
Income from services	83.8	77.7	(6.1)	(7.3)
Other operating income	83.8	77.7	(6.1)	(7.3)

Other operating income (€ 77.7 million) refers mainly to chargebacks to subsidiaries of the costs incurred for the provision of services centrally managed by Italgas S.p.A.. These services are regulated through agreements signed between Italgas S.p.A. and its subsidiaries and refer to the following areas: ICT, personnel and organisation, planning, administration, finance and control, procurement, general services, property and security services, legal and corporate affairs and compliance, health, safety and environment, institutional relations and regulation, external relations and communication, internal audit and Enterprise Risk Management (ERM).

OTHER OPERATING EXPENSES

(€ million)	2022	2023	Abs. change	Change %
For staff	(48.7)	(48.7)	-	-
For performance of non-financial services and other costs	(37.7)	(32.5)	5.2	13.8
Amortisation and depreciation	(2.2)	(2.7)	(0.5)	(22.7)
Total of other operating costs	(88.6)	(83.9)	4.7	5.3

Other operating expenses (€ 83.9 million) refer to personnel costs (€ 48.7 million), and to costs for non-financial services and other costs (€ 32.5 million), depreciation and amortisation (€ 2.7 million). Costs for non-financial services and other costs include consulting and professional services (€ 9.5 million), costs for service contracts within the Group mainly related to ICT services provided by

⁶⁸ The details of bond issues during the year and related terms are provided in the note "Short-term financial liabilities, long-term financial liabilities and short-term portions of long-term financial liabilities" in the Notes to the separate financial statements.

Bludigit and technical services provided by Italgas Reti (€ 11.8 million), costs for insurance and banking services (€ 2.2 million), and other costs for miscellaneous services (€ 3.5 million).

Reclassified Statement of Financial Position

(€ million)	31.12.2022	31.12.2023	Abs. change
Fixed capital	7,663.0	8,105.5	442.5
Property, plant and equipment	10.7	13.0	2.3
Intangible assets	1.2	1.5	0.3
Equity investments	3,107.8	3,386.3	278.5
Financial receivables and securities instrumental to operations	4,544.3	4,704.9	160.6
Net payables related to investments	(1.0)	(0.2)	0.8
Net working capital	(7.8)	(7.8)	-
Provisions for employee benefits	(9.0)	(8.8)	0.2
NET INVESTED CAPITAL	7,646.2	8,088.9	442.7
Shareholders' equity	1,806.6	1,838.8	32.2
Net financial debt	5,839.6	6,250.1	410.5
FUNDING	7,646.2	8,088.9	442.7

Net invested capital amounted to € 8,088.9 million and rose by € 442.7 million compared to 31 December 2022, mainly due to the increase in equity investments (€ 278.5 million) and as a result of the greater financial receivables instrumental to operations (€ 160.6 million).

Equity investments amounting to € 3,386.3 million relate to the subsidiaries Italgas Reti, Nepta, Toscana Energia, Geoside, Italgas NewCo and Bludigit (€ 3,371.7 million), to the jointly controlled companies Umbria Distribuzione Gas and Metano S. Angelo Lodigiano (€ 1.0 million) and to associates and other companies (€ 13.6 million).

Net working capital at 31 December 2023 is broken down as follows:

(€ million)	31.12.2022	31.12.2023	Abs. change
Trade receivables	42.9	37.5	(5.4)
Tax receivables	32.1	19.0	(13.1)
Other assets	3.7	4.0	0.3
Trade payables	(18.6)	(15.8)	2.8
Provisions for risks and charges	(6.8)	(5.7)	1.1
Deferred tax liabilities	(9.7)	(4.6)	5.1
Tax payables	(34.9)	(29.1)	5.8
Other liabilities	(16.5)	(13.1)	3.4
	(7.8)	(7.8)	-

Net working capital (€ -7.8 million) is in line with 31 December 2022 mainly due to the increase in (i) net tax items (€ 2.2 million), (ii) other liabilities (€ 3.4 million) and (iii) other assets (€ 0.3 million) partially offset by the decrease in (iv) trade receivables (€ 5.4 million), (v) trade payables (€ 2.8 million) and (vi) provisions for risks and charges (€ 1.1 million).

Net financial debt

(€ million)	31.12.2022	31.12.2023	Abs. change
Financial and bond debt	6,494.2	6,925.3	431.1
Short-term financial debt (*)	475.9	1,334.6	858.7
Long-term financial debt	6,010.1	5,580.7	(429.4)
Finance lease payables - IFRS 16	8.2	10.0	1.8
Funding derivative contracts Cash flow Hedge	(50.9)	(30.5)	20.4
Short-term contracts	(17.1)	(17.2)	(0.1)
Long-term contracts	(33.8)	(13.3)	20.5
Financial receivables and cash and cash equivalents	(603.7)	(644.7)	(41.0)
Cash and cash equivalents	(355.8)	(205.7)	150.1
Financial receivables non-instrumental to operations	(247.9)	(439.0)	(191.1)
Net financial debt	5,839.6	6,250.1	410.5
Finance lease payables - IFRS 16	8.2	10.0	1.8
Net financial debt (excluding the effects pursuant to IFRS 16)	5,831.4	6,240.1	408.7

(*) Includes the short-term portion of long-term financial debt and financial debt to subsidiaries.

As at 31 December 2023, **net financial debt**, excluding the impacts of financial liabilities pursuant to IFRS 16 of € 10.0 million (€ 8.2 million as at 31 December 2022), amounted to € 6,240.1 million, up by € 408.7 million from 31 December 2022 (€ 5,831.4 million).

Gross financial and bond debt as at 31 December 2023 totalled € 6,925.3 million (€ 6,494.2 million as at 31 December 2022) and referred to bonds (€ 4,992.3 million), European Investment Bank (EIB) loan agreements (€ 824.7 million), payables to banks (€ 751 million), IFRS 16 payables (€ 10.0 million) and financial payables to subsidiaries (€ 347.3 million).

As at 31 December 2023, the breakdown of gross financial debt by type of interest rate, inclusive of liabilities for leases pursuant to IFRS 16 was as follows:

(€ million)	31.12.2022	%	31.12.2023	%
Fixed rate	6,135.4	94.5	6,575.4	94.9
Floating rate	358.8	5.5	349.9	5.1
Gross financial debt	6,494.2	100.0	6,925.3	100.0

Fixed-rate financial liabilities amounted to € 6,575.4 million and consisted of bonds (€ 4,992.3 million), three EIB loans (€ 724.7 million), bank loans (€ 501.1 million), liabilities to subsidiaries (€ 347.3 million) and financial liabilities pursuant to IFRS 16 (€ 10.0 million).

Fixed-rate financial liabilities increased by € 440,0 million compared to 31 December 2022 mainly due to the effect of the bond issue with a nominal value of € 500 million maturing in June 2032, partially offset by the repayment of capital of EIB loans.

Floating-rate financial liabilities fell by € 8.9 million due to the repayment of capital of EIB loans.

As at 31 December 2023, there are no loan contracts in place containing financial covenants and/or backed by real guarantees. Some of these contracts provide, inter alia, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; and (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out. As at 31 December 2023, these commitments were respected.

Reclassified Statement of Cash Flows

(€ million)	2022	2023
Net profit	259.8	301.4
Correction:		
- Amortisation and depreciation and other non-monetary components	8.8	1.9
- Interest and income taxes	(262.7)	(306.8)
Change in working capital due to operating activities	(20.2)	13.8
Dividends, interest and income taxes collected (paid)	274.8	320.8
Cash flow from operating activities	260.4	331.1
Technical investments	(1.0)	(2.2)
Equity investments	(105.2)	(56.1)
Net financial investments instrumental to operations	(856.6)	(382.7)
Divestments and other changes	24.4	1.0
Free cash flow	(677.7)	(108.9)
Change in financial receivables not related to operations	(33.7)	(192.5)
Change in current and non-current financial debt	(76.7)	410.3
Reimbursements of financial liabilities for leased assets	(1.8)	(1.4)
Equity cash flow	(239.0)	(257.6)
Cash flow for the year	(1,028.8)	(150.1)

Change in net financial debt

(€ million)	2022	2023
Free cash flow	(677.7)	(108.9)
Equity cash flow	(239.0)	(257.6)
Other changes (Difference between interest accounted for, and paid fair value of derivatives)	32.5	(39.0)
Increase in finance lease payables	(0.5)	(3.2)
Change in net financial debt	(884.7)	(408.7)

5.3 NON-GAAP MEASURES

ALTERNATIVE PERFORMANCE INDICATORS

On 5 October 2015, the ESMA (European Security and Markets Authority) published its guidance (ESMA/2015/1415) on the presentation criteria for alternative performance indicators (API or APM), which replaces the CESR/05-178b recommendations from 3 July 2016. The NON-GAAP financial report must be considered complementary to and not replacing the reports prepared according to IAS – IFRS.

The alternative performance indicator adopted in this report are illustrated below.

Alternative economic performance indicators	Description
Gas Distribution regulated revenues	Operating performance indicator representing revenues from regulated gas distribution activities, calculated by subtracting Other revenue from the Total revenue. Other revenue is revenue from unregulated activities, revenue for construction and enhancement of infrastructures recognised pursuant to IFRIC 12, the release of connection contributions relating to the financial year and any other components entered in the statement of reconciliation of the income statement of the subsequent chapter "Reconciliation of the reclassified income statement, statement of financial position and statement of cash flows".
Reclassified operating costs	Operating performance indicator representing the legally-required operating costs minus costs for construction and enhancement of the infrastructure recognised pursuant to IFRIC 12 and any other components entered in the statement of reconciliation of the income statement of the subsequent chapter "Reconciliation of the reclassified income statement, statement of financial position and statement of cash flows".
EBITDA	Operating performance indicator, calculated by subtracting from net profit the income taxes, net income from equity investments, net financial expense, amortisation, depreciation and impairment.
Adjusted EBITDA	Operating performance indicator, calculated by subtracting income components classified as special items (as defined in the chapter "Comment on the economic and financial results" of this Report) from EBITDA.
EBIT	Operating performance indicator, calculated by subtracting from net profit the income taxes, net income from equity investments and net financial expense.
Adjusted EBIT	Operating performance indicator, calculated by subtracting income components classified as special items (as defined in the chapter "Comment on the economic and financial results" of this Report) from EBIT.
Adjusted Earnings per Share	Indicator of the profitability of the company's shares, calculated as the ratio between the adjusted net profit attributable to the Group and the total number of shares.
Alternative capital performance indicators	Description
Net working capital	A capital indicator that expresses the capital employed in current and non-financial assets and liabilities. This is defined as the sum of the values relating to trade receivables and payables, inventories, tax receivables and payables, provisions for risks and charges, deferred tax assets, deferred tax liabilities and other assets and liabilities.
Fixed capital	A capital indicator that expresses the total fixed assets. It is defined as the sum of the values relating to items of Property, plant and equipment, Intangible assets net of Other liabilities relating to connection contributions, Equity investments and Net payables relating to investment activities.
Net invested capital	A capital indicator that expresses the investments made by the company in operations. This is defined as the sum of the values related to fixed capital, net working capital, provisions for employee benefits and assets held for sale and directly related liabilities.
Alternative financial performance indicators	Description
Cash flow from operating activities	It represents the net cash flow from the operating activity of the mandatory schemes, excluding the effects deriving from the application of the IFRS 15 accounting standard (Other liabilities relating to connection contributions).
Free cash flow before Merger and Acquisition transactions	It represents the cash surplus or deficit remaining after the financing of investments, excluding the flow deriving from Merger and Acquisition transactions.
Free cash flow	It represents the cash surplus or deficit remaining after financing of the investments.
Net financial debt	Determined as the sum of short and long-term financial debt, net of cash and cash equivalents, cash flow hedges and current financial assets, such as, for example, securities held for trading.

5.3.1 RECONCILIATION OF THE RECLASSIFIED INCOME STATEMENT, STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS

In line with ESM/2015/1415 guidance, the reconciliation of the Income Statements, Statements of Financial Position and Statements of Cash Flows of the Italgas Group and Italgas S.p.A., commented in the Directors' Report is provided below with the related legally required statements.

In compliance with the ESMA provisions for the taxonomy of ESEF (European Single Electronic Format) annual financial statements, a number of items in the balance sheet and income statement were reclassified, also readjusting the values as at 31 December 2023.

For more details, see the "Financial Statements" section of the notes to the consolidated financial statements and separate financial statements.

Reconciliation between reclassified consolidated financial statements and the legally required financial statements

RECLASSIFIED INCOME STATEMENT

(€ million)	Reference to the explanatory notes of the consolidated financial statements	2022			2023		
		Figures from mandatory statements	Partial figures from mandatory statements	Figures from reclassified statements	Figures from mandatory statements	Partial figures from mandatory statements	Figures from reclassified statements
Revenues (from mandatory statements)		2,281.70			2,638.8		
- Revenues for construction and upgrading of distribution infrastructures IFRIC 12	(note 26)		(697.0)			(787.1)	
- Release of connection contributions relating to the financial year	(note 26)		(19.2)			(19.2)	
- Reimbursement of faulty meters	(note 26)		(2.3)			(5.8)	
- Repayments from third parties	(note 26)		(7.3)			(8.8)	
- Other reimbursement	(note 26)					(0.4)	
Total revenues (from reclassified statements)				1,555.9			1,817.5
Operating costs (from mandatory statements)		(1,161.2)			(1,412.0)		
- Revenues for construction and upgrading of distribution infrastructures IFRIC 12	(note 26)		697.0			787.1	
- Reimbursement of faulty meters	(note 26)		2.3			5.8	
- Repayments from third parties	(note 26)		7.3			8.8	
- Other reimbursement	(note 26)		-			0.4	
Operating costs (from reclassified statements)				(454.6)			(609.9)
EBITDA				1,101.3			1,207.6
Amortisation, depreciation and impairment (from mandatory statements)		(479.1)			(545.6)		
- Release of connection contributions relating to the financial year	(note 26)		19.2			19.2	
Amortisation, depreciation and impairment (from reclassified statements)				(459.9)			(526.4)
EBIT		641.4		641.4	681.2		681.2
Net financial expense		(56.3)		(56.3)	(98.2)		(98.2)
Net income from equity investments		3.4		3.4	3.1		3.1
Gross profit		588.5		588.5	586.1		586.1
Income taxes		(152.4)		(152.4)	(118.6)		(118.6)
Net profit (loss)		436.1		436.1	467.5		467.5

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(€ million) (Where not expressly indicated, the item is obtained directly from the legally-required statement)	Reference to the explanatory notes of the consolidated financial statements	31.12.2022		31.12.2023	
		Partial figures from mandatory statements	Figures from reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
Fixed capital					
Property, plant and equipment			379.0		386.0
Intangible assets, of which:			7,975.5		8,250.3
- Intangible assets	(note 13)	8,509.3		8,772.6	
from which to deduct Connection contributions	(note 20)	(510.7)		(522.3)	
to deduct contributions collected in advance		(23.1)		-	
Equity investments			66.2		153.0
Financial receivables and securities instrumental to operations			3.4		2.6
Net payables relating to investment activities, composed of:			(303.5)		(370.5)
- Payables for investment activities	(note 18)	(308.8)		(375.8)	
- Receivables from investment/divestment activities	(note 8)	5.3		5.3	
Total fixed capital (from reclassified statements)			8,120.6		8,421.4
Net working capital					
Trade receivables			315.7		694.3
Inventories			120.5		79.1
Tax assets, composed of:			116.7		319.6
- Current and non-current income tax assets	(note 10)	63.6		30.4	
- Other current tax assets	(note 11)	36.6		20.0	
- IRES receivables for National Tax Consolidation Scheme	(note 8)	16.5		5.2	
- Reclassification from Other assets for Superbonus credits	(note 11)	-		264.0	
Other assets, composed of:			1,003.7		434.5
- Other receivables	(note 8)	805.4		148.6	
- Other assets	(note 11)	9.7		278.1	
- Reclassification to Tax receivables for Superbonus	(note 11)	-		(264.0)	
- Accruals and deferrals from regulated activities	(note 11)	188.6		271.8	
Trade payables			(709.4)		(278.3)
Provisions for risks and charges			(144.3)		(109.9)
Deferred tax liabilities			(91.6)		(47.8)
Tax payables, composed of:			(28.2)		(30.2)
- Current income tax liabilities	(note 10)	(16.1)		(20.4)	
- Other tax liabilities	(note 20)	(12.1)		(9.7)	
- Parent company's payables for liquidation of Group VAT	(note 20)	-		(0.1)	
Other liabilities, composed of:			(243.1)		(189.0)
- Other payables	(note 18)	(248.6)		(175.8)	
- Third-party share of Italgas Newco shareholders' loan	(note 17)	34.8		-	
- Other liabilities	(note 20)	(6.2)		(13.2)	
- Contributions collected in advance		(23.1)		-	
Total net working capital (from reclassified statements)			340.0		872.3
Provisions for employee benefits			(69.9)		(65.3)
Assets held for sale:			-		6.6
NET INVESTED CAPITAL			8,390.7		9,235.0
Shareholders' equity including minority interests			(2,390.6)		(2,600.7)
Net financial debt					
Financial and bond debt, composed of:			(6,510.8)		(6,920.3)
- Long-term financial liabilities	(note 17)	(6,352.5)		(5,840.9)	
- Third-party share of Italgas Newco shareholders' loan	(note 17)	34.8		-	
Short-term net financial liabilities, composed of:					
- Short-term portions of long-term financial debt	(note 17)	(117.8)		(501.6)	
- Short-term financial liabilities	(note 17)	(3.3)		(498.7)	
- Interest (Italgas Newco shareholder loan, CFH differentials)	(note 17)	-		-	
- Financial liabilities pursuant to IFRS 16	(note 17)	(72.0)		(79.1)	
CFH hedging derivative contracts, consisting of:			52.5		31.8
Short-term contracts	(note 19)	17.1		18.1	
Long-term contracts	(note 19)	35.4		13.7	
Financial receivables and cash and cash equivalents, composed of:			458.2		254.2
Cash and cash equivalents			451.9		250.0
Current financial assets, composed of:			6.3		4.2
- Financial receivables non-instrumental to operations	(note 7)	5.6		4.2	
- Other financial assets held for trading or available for sale	(note 7)	0.7		-	
Total net financial debt (from reclassified statements)			(6,000.1)		(6,634.3)
FUNDING			(8,390.7)		(9,235.0)

RECLASSIFIED STATEMENT OF CASH FLOWS

(€ million) Reclassified Statement of Cash Flows items and intersection of legally required statement items	2022		2023	
	Partial figures from mandatory statements	Figures from reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
Net profit		436.1		467.5
Correction:				
Amortisation, depreciation and other non-monetary components:		469.9		525.5
- Amortisation and depreciation	478.1		522.5	
- Net impairment of property, plant and equipment and intangible assets	0.9		21.8	
- Contributions for connections - uses	(19.1)		(19.2)	
- Effect of valuation using equity method	(0.6)		(1.8)	
- Other income from equity investments	2.7		0	
- Non-monetary items (stock grants)	7.9		2.2	
Net capital losses (capital gains) on asset sales and eliminations		(30.8)		19.1
Interest, income taxes and other changes:		208.7		216.5
- Interest income	(5.1)		(5.4)	
- Interest expense	61.4		103.3	
- Income taxes	152.4		118.6	
Change in working capital due to operating activities:		(311.5)		(470.7)
- Inventories	(4.8)		33.2	
- Trade and other receivables	64.4		(366.4)	
- Trade and other payables	397.9		(462.9)	
- Change to provisions for risks and charges	(38.6)		(7.1)	
- Other assets and liabilities	(678.1)		339.2	
- Third-party share of Italgas Newco shareholders' loan	(34.8)		-	
<i>from which to deduct Deferrals for connection contributions - increases</i>	<i>11.0</i>		<i>17.6</i>	
<i>from which to deduct Deferrals for connection contributions - uses</i>	<i>(19.1)</i>		<i>(19.2)</i>	
- Change in provisions for employee benefits	(17.6)		(6.7)	
Dividends, interest and income taxes collected (paid):		(200.7)		(202.7)
- Dividends collected	1.4		0.7	
- Interest income	4.0		4.4	
- Interest paid	(53.7)		(88.7)	
- Income taxes (paid) refunded	(152.4)		(119.1)	
Cash flow from operating activities		571.7		555.2
Technical investments:		(766.1)		(844.3)
- Property, plant and equipment	(10.7)		(24.5)	
- Intangible assets	(766.5)		(837.4)	
- Contributions for connections - increases	11.0		17.6	
Other changes relating to investment activities:		47.8		61.5
Disinvestments:		325.4		20.6
- Assets available for sale	5.1		-	
- Property, plant and equipment	2.5		0.2	
- Intangible assets	293.2		21.3	
- Companies outside the consolidation area	19.6		-	
- Sale of non-controlling interests	5.0		(0.9)	
Free cash flow before M&A transactions		178.8		(207.0)
Newly consolidated companies		(958.7)		(76.9)
- Price paid for equity	(851.5)		(76.5)	
- Cash and cash equivalents from companies in the scope of consolidation	(107.2)		(0.4)	
Acquisition of companies, plant and financial assets		(23.1)		(1.4)
Free cash flow		(803.0)		(285.3)
Change in financial debt:		132.1		384.9
- Change in short- and long-term financial debt	(8.8)		382.4	
- Third-party share of Italgas Newco shareholders' loan	34.80		-	
- Cash and cash equivalents from companies in the scope of consolidation	107.2		0.4	
- Medium- to long-term financial receivables	(1.1)		2.1	
Reimbursements of financial liabilities for leased assets		(27.9)		(31.0)
Capital contribution from third parties		12.3		-
Equity cash flow		(253.3)		(270.5)
Net cash flow for the year		(939.8)		(201.9)

Reconciliation between reclassified financial statements of Italgas S.p.A. and the legally required financial statements

RECLASSIFIED INCOME STATEMENT

(€ million)	Reference to the explanatory notes of the financial statements	2022			2023		
		Figures from mandatory statements	Partial figures from mandatory statements	Figures from reclassified statements	Figures from mandatory statements	Partial figures from mandatory statements	Figures from reclassified statements
Revenues (from mandatory statements)		86.8			82.7		
- Income for seconded personnel	(note 25)		(3.0)			(5.0)	
Total revenues (from reclassified statements)				83.8			77.7
Operating costs (from mandatory statements)		(89.4)			(86.2)		
- Income for seconded personnel	(note 25)		3.0			5.0	
Operating costs (from reclassified statements)				(86.4)			(81.2)
EBITDA				(2.6)			(3.5)
Amortisation, depreciation and impairment		(2.2)		(2.2)	(2.7)		(2.7)
EBIT		(4.8)		(4.8)	(6.1)		(6.1)
Net financial expense		(4.2)		(4.2)	19.5		19.5
Net income from equity investments		270.1		270.1	296.1		296.1
Gross profit		261.0		261.0	309.4		309.4
Income taxes		(1.2)		(1.2)	(8.0)		(8.0)
Net profit (loss)		259.8		259.8	301.4		301.4

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(€ million) (Where not expressly indicated, the item is obtained directly from the legally-required statement)	Reference to the explanatory notes of the financial statements	31.12.2022		31.12.2023	
		Partial figures from mandatory statements	Figures from reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
Fixed capital					
Property, plant and equipment			10.7		13.0
Intangible assets			1.2		1.5
Equity investments, composed of:			3,107.8		3,386.3
Equity investments	(note 14)	3,093.3		3,372.7	
Other equity investments	(note 8)	14.5		13.6	
Net payables related to investments			(1.0)		(0.2)
Financial receivables and securities instrumental to operations			4,544.3		4,704.9
Total fixed capital (from reclassified statements)			7,663.0		8,105.5
Net working capital					
Trade receivables			42.9		37.5
Tax assets, composed of:			32.1		19.0
- Income tax assets	(note 10)	5.8		4.9	
- Assets for Other income taxes	(note 11)	20.5		9.5	
- Group VAT receivables	(note 9)	5.8		4.6	
Other assets			3.7		4.0
- Other current and non-current assets	(note 11 and 19)	3.7		4.0	
Trade payables			(18.6)		(15.8)
Provisions for risks and charges			(6.8)		(5.7)
Deferred tax liabilities			(9.7)		(4.6)
Tax payables, composed of:			(34.9)		(29.2)
- Income tax liabilities	(note 10)	(4.7)		(6.5)	
- Other current tax liabilities	(note 18)	(1.9)		(1.6)	
- Group VAT payables	(note 17)	(32.9)		(21.1)	
Other liabilities			(16.5)		(13.0)
Total net working capital (from reclassified statements)			(7.8)		(7.8)
Provisions for employee benefits			(9.0)		(8.8)
NET INVESTED CAPITAL			7,646.2		8,088.9
Shareholders' equity including minority interests			(1,806.6)		(1,838.8)
Net financial debt					
Financial and bond debt, composed of:			(6,494.2)		(6,925.4)
- Long-term financial liabilities	(note 16)	(6,010.1)		(5,580.7)	
- Short-term portions of long-term financial debt	(note 16)	(383.7)		(489.1)	
- Short-term financial liabilities	(note 16)	(92.2)		(845.5)	
- Financial liabilities pursuant to IFRS 16	(note 16)	(8.2)		(10.0)	
Hedging derivative contracts Cash flow Hedge, consisting of:			50.9		30.5
Short-term contracts	(note 19)	16.0		17.2	
Long-term contracts	(note 19)	34.9		13.3	
Financial receivables and cash and cash equivalents, composed of:			603.7		644.7
- Financial receivables non-instrumental to operations	(note 8)	247.9		439.0	
- Cash and cash equivalents	(note 7)	355.8		205.7	
Total net financial debt (from reclassified statements)			(5,839.6)		(6,250.2)
FUNDING			(7,646.2)		(8,088.9)

1 DIRECTORS' REPORT

RECLASSIFIED STATEMENT OF CASH FLOWS

(€ million) Reclassified Statement of Cash Flows items and intersection of legally required statement items	2022		2023	
	Partial figures from mandatory statements	Figures from reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
Net profit		259.8		301.4
Correction:				
Amortisation, depreciation and other non-monetary components:		8.8		1.9
- Amortisation and depreciation	2.2		2.7	
- Impairment of equity investments	-		(2.3)	
- Non-monetary items (stock grants)	6.6		1.5	
Interest, income taxes and other changes:		(262.7)		(306.8)
- Interest income and dividends	(321.1)		(399.3)	
- Interest expense	57.2		84.5	
- Income taxes	1.2		8.0	
Change in working capital due to operating activities:		(20.2)		13.8
- Inventories	-		-	
- Trade and other receivables	(10.7)		103.2	
- Trade and other payables	4.3		(111.5)	
- Change to provisions for risks and charges	(1.3)		(1.1)	
- Other assets and liabilities	(11.1)		23.6	
Change in provisions for employee benefits	(1.4)		(0.4)	
Dividends, interest and income taxes collected (paid):		274.8		320.8
- Dividends and other income collected from equity investments	268.2		295.2	
- Interest income	51.9		103.5	
- Interest paid	(49.7)		(65.9)	
- Income taxes (paid) refunded	4.4		(12.0)	
Cash flow from operating activities		260.4		331.1
Technical investments:		(1.0)		(2.2)
Property, plant and equipment	(1.0)		(2.2)	
Equity investments		(105.2)		(56.1)
Financial receivables instrumental to operations		(856.6)		(382.7)
Other changes related to divestment activities		-		1.0
Disinvestments:				
- Equity investments and operating activities sold		24.4		-
Free cash flow		677.7		(108.9)
Change in financial receivables not related to operations		(76.6)		(192.5)
Change in short- and long-term financial debt		(33.7)		410.3
Change in financial liabilities for leased assets		(1.8)		(1.4)
Equity cash flow		(239.0)		(257.6)
Cash flow for the year		(1,028.8)		(150.1)

5.4 OTHER INFORMATION

TREASURY SHARES

The company did not own any treasury shares as at 31 December 2023.

RELATED PARTY TRANSACTIONS

Based on Italgas' current ownership structure, Italgas related parties include, in addition to directors, statutory auditors, executives with strategic responsibilities, companies associated with the Group or under its joint control, also the subsidiaries directly or indirectly controlled by CDP, therefore including the shareholder Snam, and the Ministry of Economy and Finance (MEF). Transactions with these entities relate to the exchange of assets, the provision of services and, in the case of CDP, the provision of financial resources.

These transactions are part of ordinary business operations and are generally settled at arm's length, i.e. the conditions which would be applied between two independent parties. All the transactions carried out were in the interest of the companies of the Italgas Group.

Pursuant to the provisions of the applicable legislation, the Company has adopted internal procedures to ensure that transactions carried out by the Company or its subsidiaries with related parties are transparent and correct in their substance and procedure.

The Directors and Statutory Auditors declare potential interests that they have in relation to the Company and the Group every six months, and/or when changes in said interests occur; in any case, they promptly inform the Chief Executive Officer (or the Chairperson, in the case of the Chief Executive Officer's interests), who in turn informs the other directors and the Board of Statutory Auditors, of the individual transactions that the Company intends to carry out and in which they have an interest.

CDP and CDP Reti consolidate Italgas pursuant to IFRS 10. In addition, through the Board of Directors' decision of 1 August 2019, CDP reclassified its investment in Italgas S.p.A. as a controlling interest pursuant to Article 2359, paragraph 1.2) of the Italian Civil Code and Article 93 of the CLF. Italgas is not subject to management and coordination activities by CDP.

As at 31 December 2023, Italgas manages and coordinates its subsidiaries, pursuant to Article 2497 et seq. of the Italian Civil Code.

The amounts involved in commercial, miscellaneous and financial relations with related parties, descriptions of the key transactions and the impact of these on the balance sheet, income statement and cash flows, are provided in the section "Related-party transactions" of the Notes to the consolidated and annual financial statements.

Relations with Key Managers are shown in the section "Operating costs" of the Notes to the consolidated financial statements.

OPERATING PERFORMANCE OF SUBSIDIARIES

For information on the outlook of areas where Italgas operates in whole or in part through subsidiaries, please refer to "Operating performance" and "Comment on the economic and financial results" of this Report.

BRANCH OFFICES

In compliance with Art. 2428, fourth paragraph of the Italian Civil Code, note that the Italgas does not have secondary offices.

RESEARCH AND DEVELOPMENT

Research and development activities carried out by Italgas are not of a considerable amount. For more details, see the notes to the Consolidated Financial Statements.

SIGNIFICANT EVENTS AFTER YEAR END

The significant transactions carried out after 31 December 2023 are summarised below. The Integrated Annual Report has been submitted to the examination of the Company's Board of Directors and its publication was authorised on 5 April 2024. Therefore, this document does not note any events that occurred subsequent to that date.

EXTRAORDINARY TRANSACTIONS AND AREA TENDERS

- On 31 January 2024, Italgas, through its subsidiary Italgas Reti, acquired approximately 47.9% of the shares of Acqua Campania S.p.A. held by Vianini Lavori S.p.A., following the exercise of its pre-emption right.
- Following the award of the tender in 2020 and the signing of the Service Contract, the transfer of the management of the natural gas distribution networks of the Belluno ATEM to Italgas Reti was made official on 1 February 2024. The concession has a duration of 12 years and provides for the implementation of an important investment programme totalling approximately € 135 million.

RATING AND OPTIMIZATION OF THE DEBT STRUCTURE

- On 1 February 2024, as part of its EMTN Programme renewed by resolution of the Board of Directors on 29 September 2023, Italgas successfully completed the launch of a bond issue maturing on 8 February 2029, with a fixed rate and for a total amount of € 650 million, an annual coupon of 3.125%.
- On 8 March 2024, Italgas signed a € 600 million Sustainability Linked loan agreement with a pool of Italian and international banks with a maximum maturity of five years. This is a Revolving Credit Facility that will provide the Group with a new source of financing to support future needs.

CAPITAL TRANSACTIONS

On 12 March 2024, in execution of the 2021-2023 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting of 20 April 2021, the Board of Directors resolved on the free allocation of a total of 497,089 new ordinary shares of the Company to the beneficiaries of said Plan (first cycle of the Plan) and executed the first tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 616,390, taken from retained earnings reserves.

LEGAL AND REGULATORY FRAMEWORK

- On 30 January 2024, the Authority published Resolution no. 26/2024/R/idr with which it initiated a procedure aimed at defining and introducing the incentive mechanism to favour water resilience, provided for in the updating of the regulation of technical quality as per Resolution no. 637/2023/R/idr, with a view to mitigating, also through the development of large strategic works, the effects of climate change.
- On 6 February 2024, the Authority published Resolution no. 37/2024/R/idr and Resolution no. 39/2024/R/idr concerning, respectively, the commencement of proceedings for the quantitative assessments, for the two-year period 2022-2023, provided for by the incentive mechanism for the contractual and technical quality of the integrated water service.
- On 1 February 2024, Regulatory Decision no. E-14/2024 of the Greek Regulatory Authority for Energy, Waste and Water, (RAEWW) was published in the Official Journal, which formalised, within the distribution tariff document, the WACC of 8.38% to be applied to DSOs in Greece for the period 2024-2026.

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BUSINESS SEGMENT OPERATING PERFORMANCE

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6. BUSINESS SEGMENT OPERATING PERFORMANCE

Consistent with the manner in which *management* reviews the Group's operating results and in compliance with the provisions of the international accounting standard IFRS 8 "Operating segments", the Italgas Group has identified the following operating segments: "Gas distribution", "Energy efficiency" and "Corporate and other sectors"⁶⁹. In particular, the growth of the Energy Efficiency sector, due to the fact that it exceeded the materiality thresholds provided for by IFRS 8, made it necessary to highlight the corresponding values as an operating sector subject to separate reporting.

More precisely, the "Gas Distribution" sector is associated with gas distribution and metering activities carried out by Group companies both in Italy and in Greece.

The "Energy Efficiency" sector refers to activities carried out in the energy sector. Italgas offers and implements energy efficiency measures for its customers in the residential and industrial sectors.

"Corporate and other sectors" includes the services performed for third parties by the Parent Company Italgas, together with the activities of the water business. In order to provide a broader representation of the business, a 2023* period is shown in which the operating companies Acqualatina and Siciliacque are valued with reference to the integrated water sector, with a view to full consolidation on a pro-rata basis from the date of acquisition.

The values by sector at 31 December 2022 were reconstructed on the basis of the same criteria adopted to identify those at 31 December 2023.

Below is a breakdown of the main economic performance indicators by sector:

(€ million)	2022	2023	2023*
Gas Distribution Sector (regulated and unregulated)	1,373.4	1,480.8	1,480.8
Energy efficiency sector	155.8	298.9	298.9
Integrated water sector	-	-	34.9
Corporate and other sectors	103.7	86.4	77.6
Intra-sector eliminations	(95.6)	(91.3)	(91.3)
Adjusted total revenues	1,537.3	1,774.8	1,800.9
Gas distribution sector	1,056.8	1,132.5	1,132.5
Energy efficiency sector	28.3	54.6	54.6
Integrated water sector	-	-	6.9
Corporate and other sectors	(2.4)	(3.4)	(3.6)
EBITDA adjusted	1,082.7	1,183.7	1,190.4
Gas distribution sector	603.5	636.9	636.9
Energy efficiency sector	25.3	51.2	51.2
Integrated water sector	-	-	2.3
Corporate and other sectors	(6.0)	(6.9)	(6.2)
EBIT adjusted	622.8	681.2	684.2

* Unaudited values

⁶⁹ With regard to the services provided to third parties by the Parent Company Italgas, taking into account the residual nature of the values and deletions, no evidence is provided in this document.

6.1 GAS DISTRIBUTION SECTOR

6.1.1 MAIN ECONOMIC AND FINANCIAL INDICATORS

The following table summarises the main items of the adjusted financial statements:

(€ million)	2022	2023
Total adjusted revenues (regulated and unregulated)	1,373.4	1,480.8
Adjusted EBITDA	1,056.8	1,132.5
Adjusted EBIT	603.5	636.9
Adjusted EBITDA margin (%)	77%	77%
Adjusted EBIT margin (%)	44%	44%
Net invested capital	8,081.8	8,382.3

Total adjusted revenue for the Gas Distribution sector in 2023 totalled € 1,480.8 million (€ 1,373.4 million in 2022), with an increase of € 107.4 million, mainly due to the combined effect of (i) the increase in distribution revenue (€ +137.4 million), mainly attributable to the consolidation of the Enaon Group (€ +115.6 million), the increase in RAB for Italy and the increase in the deflator (€ +45.6 million) and the effects of the ARERA Resolution relating to smart reading/remote management parametric remuneration (€ +9.3 million), effects partially offset by the absence of revenues from ATEM Naples 1 (€ -46.0 million), and finally by the increase due to inflation, which was almost completely offset by the X-factor and (ii) the decrease in other revenues (€ -34.2 million) mainly due to the reduction in capital gains from the sale of units and properties (€ -32.3 million).

Adjusted operating profit increased by € 33.4 million (+5.5% compared to the previous year), from € 603.5 million in 2022 to € 636.9 million in 2023.

Net invested capital increased by € 300.5 million to € 8,382.3 million, mainly due to increases in net fixed assets and receivables related to gas distribution.

6.1.2 OPERATING PERFORMANCE

INVESTMENTS

In 2023, technical investments were made for € 895.0 million (2022: € 808.3 million), of which € 32.8 million relating to investments accounted for in accordance with IFRS 16. The subsidiary company of Enaon made € 106.7 million in investments.

(€ million)	2022	2023	Abs. change	% Change
Distribution	519.6	538.9	19.3	3.7
Network development and maintenance	472.8	420.7	(52.1)	(11.0)
New networks	46.8	118.2	71.4	-
Digitisation	234.8	282.5	47.7	20.3
Other assets	164.4	151.6	(12.8)	(7.8)
Metering	43.3	110.0	66.7	-
Processes	27.2	21.0	(6.2)	(22.9)
Other investments	53.8	73.6	19.8	36.7
- of which Real Estate	6.4	11.7	5.3	82.6
- of which ICT	17.6	26.0	8.5	48.2
- of which the effect of IFRS 16	25.4	32.8	7.4	29.0
	808.3	895.0	86.7	10.7

Distribution investments (+3.7% compared to 2022), which recorded the installation of an additional 965 km of pipeline (of which 724 km are in operation). The increase compared to the corresponding period of 2022 was driven by the inclusion of the Greek companies in the scope of consolidation.

Investments in digitisation (€ 282.5 million, +20.3% compared to the same period in 2022) mainly refer to the installation of digital data acquisition devices for the control and monitoring of the distribution network, plants and for metering.

OPERATING FIGURES

Key operating figures gas distribution – Italgas Group and affiliates (Italy)	2022	2023	Abs. change	% Change
Active meters (millions)	7,377	7,375	(0,002)	(0,0)
Municipalities with gas distribution concessions (no.)	1,904	1,905	1	0.1
Municipalities with gas distribution concessions in operation (no.)	1,845	1,861	16	0.9
Distribution network in operation (kilometres)	73,818.3	74,109.7	291.4	0.4
Gas distributed (million cubic metres)	8,228.5	7,178.3	(1,050.2)	(12.8)
Key operating figures gas distribution – Italgas Group (Greece)	2022	2023	Abs. change	% Change
Active meters (millions)	0.582	0,599	0.017	2.9
Municipalities with gas distribution concessions (no.)	145	145	-	-
Municipalities with gas distribution concessions in operation (no.)	105	106	1	1.0
Distribution network in operation (kilometres)	7,491.0	7,924.0	433.0	5.8
Gas distributed (million cubic metres)	271.8	967.0	695.2	-

Key operating figures gas distribution – Italgas Group and affiliates (Italy and Greece)	2022	2023	Abs. change	% Change
Active meters (millions)	7,959	7,974	0.015	0.2
Municipalities with gas distribution concessions (no.)	2,044	2,050	6	0.3
Municipalities with gas distribution concessions in operation (no.)	1,950	1,967	17	0.9
Distribution network in operation (kilometres)	81,309.3	82,033.7	724.4	0.9
Gas distributed (million cubic metres)	8,500.3	8,145.3	(355.0)	(4.2)

6.1.3 LEGISLATIVE AND REGULATORY FRAMEWORK

GAS DISTRIBUTION TARIFF REGULATION - ITALY

The distribution and metering of natural gas is regulated by the Regulatory Authority for Energy, Networks and Environment (ARERA). Among its functions are the calculation and updating of the tariffs, and the provision of rules for access to infrastructure and for the delivery of the related services.

The rate system establishes in particular that the reference revenues for the formulation of rates is determined so as to cover the costs incurred by the operator and allow for a fair return on invested capital. Three cost categories are recognised:

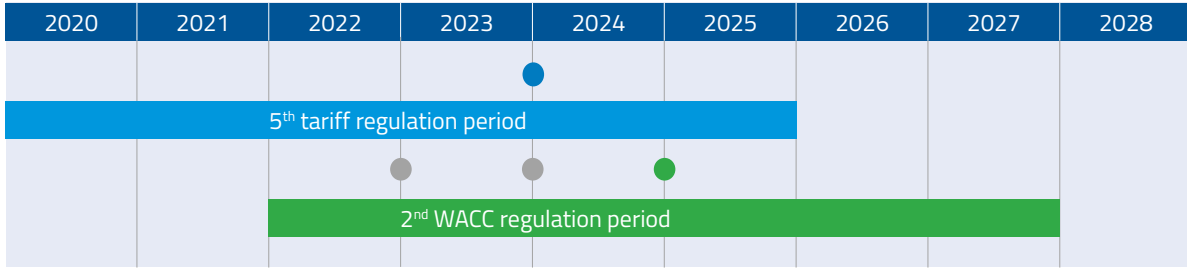
- the cost of net invested capital for RAB (Regulatory Asset Base) purposes through the application of a rate of return of the same;
- economic-technical amortisation/depreciation, hedging investment costs;
- operating costs, hedging operational costs.

The main rate elements are reported below on the basis of the regulatory framework (Resolution no. 570/2019/R/gas as amended):

Fifth Regulatory period highlights (from 1/1/2020 to 31/12/2025)

End of regulatory period (tariffs)	31 December 2025	
Calculation of net invested capital recognized for regulatory purposes	Historical cost revalued Parametric method centralized assets	
Remuneration of equity for regulatory purposes ($WACC_{pre-tax}$)	Distribution and metering: <ul style="list-style-type: none"> ▪ 6.3%: 2020 and 2021 years ▪ 5.6%: 2022 and 2023 years ▪ 6.5%: 2024 year 	
Incentives for new investments	Remuneration of t-1 investments to compensate for regulatory time lag since 2013	Remuneration of t-1 investments to compensate for regulatory time lag since 2013
Efficiency factor	<i>Set by Delibera 570/2019/R/Gas:</i> Distribution operating costs: <ul style="list-style-type: none"> ▪ 3.5% for large companies ▪ 4.79% for medium-sized companies ▪ 6.59% for small companies Metering operating costs: 0% Marketing operating costs: 1.57%	<i>Rectified by Deliberato 409/1023/R/Gas:</i> Distribution operating costs: <ul style="list-style-type: none"> ▪ 3.39% for large companies ▪ 4.62% for medium-sized companies ▪ 6.46% for small companies

The RAB of the companies currently included in the scope of consolidation, calculated by applying the criteria adopted by the Authority, with reference to investments made up to 31 December 2023, in the definition of the reference tariffs, is equal to € 8.8 billion.



- Infra-period parameters review (x-factor, beta, gearing)
- WACC update if an increase in the main parameters results in a change of at least 50 bps of the WACC with respect to the current value
- Update of WACC parameters common to all services ($R^{nominal}$, FP, physical parameters, CRP, Inflation, IBoxx indexes and cost of debt graduation)

Resolution no. 570/2019/R/gas approved the tariff regulation of gas distribution and metering services for the fifth regulatory period 2020–2025 and Resolution no. 737/2022/R/gas approved the infra-period update of the tariff regulation of gas distribution and metering services, for the second half-period 2023–2025 of the current regulatory period.

Resolution no. 614/2021/R/com approved the criteria for determining and updating the rate of return on invested capital for the infrastructural services of the electricity and gas sectors for the 2022–2027 period (TIWACC 2022–2027). The 2PWACC is split into two sub-periods, each lasting three years. Albeit maintaining a three-year update frequency of the parameters relating to the macroeconomic and fiscal context, the Authority introduced an annual update mechanism (at least for the first three-year period) for the macroeconomic variables, if the cumulative effect of the update of the parameters leads to a change in the WACC above a threshold of 50 bps (basis point spread).

Legal and Regulatory Framework

In February 2023, Italgas Reti challenged Resolution no. 654/2022/R/com, by which ARERA confirmed the values of the WACC parameters common to all the infrastructure services of the electricity and gas sectors reported in Table 1 of the TIWACC 2022–2027. Following application of the so-called trigger mechanism, envisaged by Article 8 of the TIWACC 2022–2027 for the update to the WACC for the sub-period 2022–2024, the calculation of the WACC deriving from the update to the relevant financial parameters shows a variation in the WACC, for each service, below 50 bps compared to the current value. The setting of a date for the hearing is currently pending.

Through Resolution no. 123/2023/R/gas of 28 March 2023, the Authority initiated proceedings to comply with ruling no. 9607/2022 of the Council of State in relation to the determination of the premiums due to Italgas Reti for the safety recoveries provided for in the years 2016, 2017, 2018 and 2019 of 24 plants that distribute gas in the locations affected by the results of the survey referred to in Annex A to Resolution no. 494/2018/E/gas. The Resolution provides that the proceedings shall be concluded by 31 December 2023. On 7 February 2024, the System Services and Energy Monitoring Department of the Authority communicated its positive assessment of the arguments and evidence produced by Italgas, at the same time proposing to the Board the full recognition of the premiums for a total amount of € 4,049,854.31 million.

Resolution no. 156/2023/R/gas determined the final reference tariffs for gas distribution and metering services for 2022, calculated on the basis of the actual balance sheet figures for 2021.

On 25 July 2023, with Resolution no. 340/2023/R/efr, the Authority determined the tariff contribution to be recognised for the mandatory year 2022. The tariff contribution is provided for in the amount of € 250.68/EEC and is equal to the sum of the cap of € 250/EEC and the additional unit contribution of € 0.68/EEC, to be recognised in the event the average market price of the securities is greater than the cap, as defined in Resolution No. 270/2020/R/efr

1 DIRECTORS' REPORT

With Resolution no. 454/2023/R/efr of 10 October 2023, the Authority increased the unit tariff contribution paid on account as follows:

- a value equal to the total unit contribution paid in the previous obligation year, to be applied to a maximum quantity of EECs equal to 50% of the target for the current year only;
- a value equal to € 240/EEC, for the remaining quantity.

It also revised the maximum percentages of the obligations that can be fulfilled in this session, re-determining it to be 50% of the quota for the current obligation year and 100% of each of the residuals of the two previous obligation years.

In Resolution no. 3/2023 of 31 October 2023 the Authority defined the national energy efficiency quantitative obligations of natural gas end uses to be achieved in 2023 by distributors with more than 50,000 end users connected to its distribution network as at 31 December 2021. For subsidiaries and associates of Italgas S.p.A., the quantitative obligation for 2023, expressed as a number of White Certificates, is: a) 345,378 for Italgas Reti; b) 49,277 for Toscana Energia and c) 2,693 for Umbria Distribuzione Gas.

On 31 May 2023, the Italgas Group cancelled a total of 59,931 EECs and additionally purchased 940 EECs from the GSE. In the November 2023 interim cancellation session, relating to the 2023 obligation year (1 June 2023 – 31 May 2024), the Italgas Group purchased and cancelled a total of 219,597 EECs.

On 28 November 2023, the Council of State partially upheld the appeal of ARERA against the ruling of the Regional Administration Court of Milan on Resolution no. 570/2019/R/gas and related RTDG (Regulation of Tariffs for Gas Distribution and Metering Services). In particular, the Council of State upheld the ARERA appeal in relation to the matter of the Beta parameter, maintaining that the regulation introduced with Resolution no. 570/2019/R/gas must be supported by an adequate investigation; in relation to the matter of the IRMA (amount for the recovery of non-depreciation), maintaining that such item must be debt of value in nature and not currency and, as such, should only be revalued, without accruing legal interest pursuant to Article 1282 of the Italian Civil Code. The Council of State then confirmed the ruling of the Regional Administrative Court of Lombardy in the part where Resolution no. 570/2019 was deemed illegitimate due to lack of transparency and justification regarding the determination of the recognised operating costs (COR), the actual operating costs (COE), and the X-factor. The grounds for criticism proposed by ARERA against the chapter of the ruling of the Regional Administrative Court of Milan were then declared inadmissible due to lack of interest. The Court deemed the lack of RIA (regulatory impact analysis) illegitimate.

Resolution no. 409/2023/R/gas corrected the calculation errors relating to the determination of the recognised operating costs and the X-factor, in compliance with the rulings of the Regional Administrative Court of Lombardy, which partially upheld the appeals of a number of operators, including Italgas, for the annulment of the 2020–2025 RTDG set forth in Resolution no. 570/2019/R/gas. In particular, the resolution:

- redetermines the values of the unit fees that cover the operating costs recognised for the gas distribution service for the years 2020 to 2023, for the municipal or supra-municipal management and for the area management, as well as the annual rate of reduction of the unit costs recognised for the purpose of covering the operating costs (X-factor), at the rate of 3.39% instead of the previous 3.53%;
- postpones the redetermination of the definitive reference tariffs for the gas distribution service for the years 2020, 2021 and 2022 to the outcome of the appeal proceedings, which are still pending, and which were brought by the Authority, in the event of a negative outcome, against the five sentences on which the Regional Administrative Court of Lombardy has ruled so far.

Resolution no. 1/2023 – DINE defined the operating procedures for recognising the residual costs of smart meters installed until 2018, with year of manufacture no later than 2016, and decommissioned earlier than the end of their useful life for tariff purposes. The Authority shall prepare another data acquisition phase relating to smart meter decommissioning, through an extraordinary session of GAS RAB data collection, with the publication of the related operating instructions.

Resolution no. 556/2023/R/com updated, for the year 2024, the parameters envisaged for verification of the activation of the trigger mechanism, on the basis of which the conditions for the annual update of the WACC are verified, determining the value of the WACC for the natural gas

distribution and metering service equal to 6.5%. Resolution No. 556/2023/R/com was adopted in application of the criteria defined by the TIWACC 2022-2027, approved by Resolution No. 614/2021/R/com, which was contested at the time by Italgas Reti with an appeal to the Regional Administrative Tribunal of Milan regarding the methods of determination of several parameters relevant to the mechanism, such as the country risk premium, the cost of debt in real terms recognized, the real rate of return on equity and the theoretical rate of incidence of taxes on operating income. As an application act of the TIWACC 2022-2027, in January 2024 Italgas Reti also contested through an appeal on additional grounds Resolution No. 556/2023/R/com, in line with the complaints made in the appeal filed against Resolution No. 614/2021/R/com. The setting of a date for the hearing is currently pending.

On 14 December 2023, with Resolution no. 590/2023/R/gas, the Authority approved the list of applications submitted by operators to the pilot projects for the optimisation of the management and innovative use of infrastructures in the natural gas sector and the relative incentive mechanism provided for by Resolution no. 404/2022/R/gas. In particular, with regard to the applications submitted by Italgas, the Authority admitted the following projects to testing and incentives:

- Digital Reverse Flow, falling under Project Area 1 – methods and tools for optimised grid management, aimed at feeding unused biomethane back into the network at a local level, for which a tariff contribution of € 1.4 million is recognised.
- 3D Asset Mapping falling under Project Area 3 – innovation interventions on the regulated infrastructures of the natural gas supply chain, aimed at increasing energy efficiency, to which a tariff contribution of € 1.8 million is allocated.

Resolution no. 631/2023/R/gas approved, for the year 2024, the mandatory tariffs for the natural gas distribution, metering and marketing services. Resolution No. 631/2023/R/gas was adopted in application of RTDG 2020-2025, approved by Resolution No. 570/2019/R/gas, which was contested by Italgas Reti at the time and partially annulled by the Council of State. In February 2024, Italgas Reti also challenged through an appeal on additional grounds Resolution No. 631/2023, reproposing on the one side the complaints made in the litigation against Resolution No. 570/2019/r/gas and the subsequent implementing measures, and contesting on the other side two specific profiles: the failure to recognize in the tariff certain capital losses resulting from the replacement of traditional meters with smart meters and the incorrect application of the criterion for updating specific tariff components. The setting of a date for the hearing is currently pending.

On 29 December 2023, the Council of State, confirming the Regional Administrative Court of Lombardy's ruling, rejected ARERA's appeal and cancelled the effectiveness of certain provisions of Resolutions no. 603/2021/R/com and no. 604/2021/R/com relating to the disclosure and assessment obligations imposed by the Authority on distribution companies regarding the biennial prescription on the consumption of electricity and gas.

In September 2023, Italgas Reti submitted its bid for the ATEM CATANZARO – CROTONE tender, for which the evaluation process is currently underway.

Finally, the proceedings on the substance of the matter concerning the redetermination of the amount owed to Italgas Reti by the operator that was awarded the ATEM Naples 1 contract by way of reimbursement value is currently suspended because, at the request of the Judge, proceedings have been commenced before the Court of Cassation to determine the jurisdiction of the Civil Court or, alternatively, of the Administrative Court.

Tariff regulation – Greece

The concessions held by the distributor of the Enaon Group extend over the entire Greek territory.

The expiry and renewal of the gas distribution concession in Greece are governed by the Greek Energy Law, partially amended (i.e. Articles 2, 80Γ and 88) by Law no. 4812/2021, enacted on 30 June 2021. According to this amendment, the duration of the licence is set at a minimum of 20 years and may be extended to a further 30 years upon expiry of the original licence, following an application by the licence holder. In this case, the licence holder must apply for an extension one year before the expiry date (31 December 2043). The renewal takes place through an “act with declaratory effect” issued by the Regulatory Authority for Energy (RAE), the Greek Regulator, in accordance with Articles 5-9-13-16 of the Regulation of Natural Gas Permits (Decision of the Minister no. 178065/2018, published in Journal 3430/2018). Law no. 4951-2022 (Article 134) also introduced a possible repayment, for the outgoing operator, for the residual value of their assets, equal to the value of the RAB⁷⁰ at the end of the licence, plus a premium of at least 15%.

The activity of natural gas distribution and metering in Greece is regulated by the RAE: its responsibilities include the setting and updating of tariffs, as well as the establishment of rules for access to infrastructure and the provision of related services (e.g. Distribution Code - RAE Decision 589/2016).

Law 5037 ΦΕΚ Α 78 of 29 March 2023 renamed the Energy Regulatory Authority into the Regulatory Authority for Energy, Waste and Water (RAEWW) and expanded its scope with responsibilities for water services and municipal waste management.

With Decision E-71/2023, the RAEWW announced the WACC to be applied on the RAB for the Enaon Group DSOs, setting it at 8.57% (compared to 7.03% in 2022 and 2021). The decision was made in accordance with the provisions of Article 260 of Law 5037/2023.

The duration of a tariff adjustment period is set at four years: the current adjustment period at the end of the financial year is the period from 2023 to 2026. In particular, the Greek regulation provides that, prior to the beginning of each regulatory period, the operator shall submit to the Authority, for approval, the Development Plan and the Business Plan for the following regulatory period on the basis of which the operator's distribution tariffs and regulated revenues for the relevant period are determined.

In the event that there are differences between the assumptions made in the Development Plan and the Business Plan and the actual data for the reference period, a deviation of the actual revenues from the regulated revenues will be generated: this deviation (defined as a “recoverable difference”), whether positive or negative, is considered in the definition of the regulated revenues of the following regulatory period and will therefore be recovered or returned as part of the tariffs for the following four years. To satisfy the need not to assign (only) to end customers in disadvantaged areas with limited infrastructural developments the costs of the distribution and metering service, the Authority, with Decision no. 485/22 Article 20 envisaged the possibility of socialising any potential recoverable difference between all distribution companies of a single corporate group.

The rate system establishes in particular that the reference revenues for the formulation of rates is determined so as to cover the costs incurred by the operator and allow for a fair return on invested capital. In particular, the following tariff components are identified:

- the cost of net invested capital for regulatory purposes RAB (Regulatory Asset Base) through the application of a rate of return (WACC); the WACC is nominal pre-tax and is defined *ex ante* for the regulatory period;
- economic-technical amortisation/depreciation, hedging investment costs;
- the operating costs, which are defined for the following regulatory period, are not re-estimated at the end of the regulatory period; thus the operator can retain the efficiency achieved during the regulatory period;
- the additional revenues obtained from activities other than gas distribution are separated;
- the recoverable difference defined by the difference between the regulated revenues (calculated based on the final balance) and the revenues obtained from invoicing;

⁷⁰ Net fixed asset value of assets net of contributions, capitalised interest, revenues from connection contributions and/or user fees and all costs related to planning. To increase the RAB, a percentage of Working Capital calculated parametrically.

- connection fees may be borne by the distribution operator and, in that case, taken into account in determining the RAB if the operator’s penetration rate is low (letter K) point XIII Decision RAE 328/2016 - Approval of the pricing regulation).

Required Revenues =	RAB x Reg. WACC	+ Depreciation	+ Opex	- Additional Revenues	± Recoverable Difference
Evaluated for each year in the Tariff Calculation Period	Return on RAB calculated by multiplying the RAB of the Operator with the Weighted Average Cost of Capital (WACC)	Fixed Assets are depreciated based on the accounting method provided by law with no strict obligation to set a specific period of depreciation. Existing DSOs have chosen different approaches regarding duration of depreciation for each category of assets	The reasonable expenses of the DSO for the operation of the Key Activity of Natural Gas Distribution	The DSO may undertake other activities: Auxiliary services (e.g. installation and maintenance of smart meters) and Optional services (e.g. energy efficiency services). For these services, the DSO submits to RAE a tariff proposal for approval	The difference between the Required Revenues and the Actual Revenues (which includes the revenues from the application of the Distribution tariffs according to the billed quantities)

Below are the main elements of the tariff regulation and its relevant reference timetable:

End of regulatory period	End of previous regulatory period: 31/12/2022 End of current regulatory period: 31/12/2026 End of next regulatory period: 31/12/2030
Net Invested Capital (RAB)* calculation for regulatory purposes	Historical cost
Weighted Average Cost of Capital (WACC _{nominal, pre-tax}) recognized for regulatory purposes	Distribution and Metering: 7.45% (year 2020) 7.03% (years 2021-2022) 8.57% (year 2023) 8.38% (years 2024-2025-2026)

* The RAB of the Greek distribution companies, calculated by applying the criteria adopted by the local regulatory Authority, with reference to investments made up to 31 December 2023, is equal to € 0.8 billion.

The timings defined by the tariff regulation are shown below.

2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Previous Regulatory Period 19-22				Current Regulatory Period 23-26				Next Regulatory Period 27-30			
		Base Year	Tariff Proposal			Base Year	Tariff Proposal			Base Year	Tariff Proposal
			Calculation Year				Calculation Year				Calculation Year

Base Year	All the data provided in the tariff proposal refer to the final data of the Base Year plus the most up-to-date data up to the submission of the tariff proposal.
Tariff Proposal	Proposal of all DSOs to RAEWW of the most up-to-date data needed to set the tariffs for the next regulatory period.
Calculation Year	The Year during which the Planned Revenues of the Natural Gas Distribution Activity are calculated and preceding the regulatory period.

6.1.4 MUNICIPAL TERRITORIES WITH CONCESSIONS AND TENDERS BY TERRITORIAL AREA⁷¹

The following figure shows the presence of the Italgas Group in Italy⁷². As at 31 December 2023, as a result of the regulatory framework envisaging the award of gas distribution services through local tenders (and not by individual municipality), 40 tender notices have been published, of which 33 sent to the Authority, as envisaged in Ministerial Decree no. 226/2011.

Of the 40 tender notices published to date:

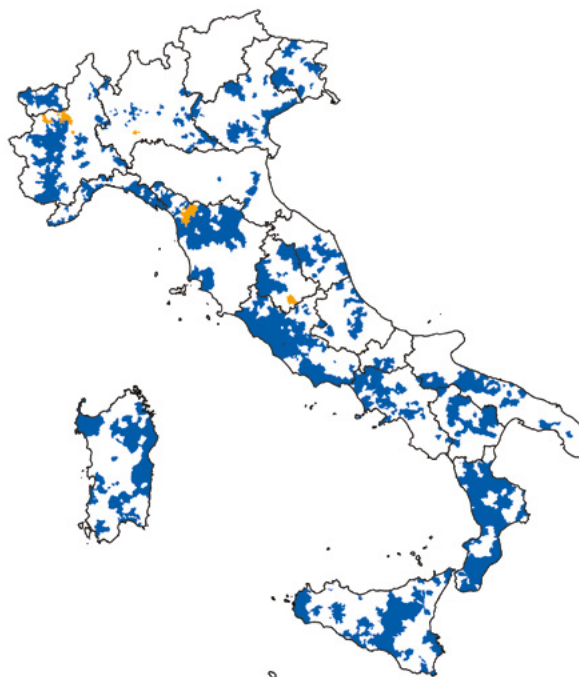
TORINO 3 - South-West, MASSA CARRARA, COMO 1 - Triangolo Lariano and Brianza Comasca, BERGAMO 3 - Surroundings West of Bergamo, BRESCIA 1 - North - West, BERGAMO 2 - North - East, MILANO 4 - North-Eastern Province, MILANO 3 - Southern Province, VICENZA 3 - Astico, Leogra and Timonchio Valleys, BIELLA (partially already annulled by the Piedmont Regional Administrative Court) and VARESE 3 - South are suspended by the Contracting Authorities;

VENICE 1 - Laguna Veneta, ALESSANDRIA 2 - Centre and GENOVA 2 - Province were respectively annulled by the State Council, the Regional Administrative Court (TAR) of Piedmont and the Regional Administrative Court (TAR) of Liguria;

MONZA and BRIANZA 2 - West, LUCCA, TRIESTE, MONZA and BRIANZA 1 - East, VERONA 2 - Veronese Plains, PRATO, CREMONA 2 - Centre and CREMONA 3 - South aggregates and VARESE 2 - Centre were withdrawn by their respective contracting stations;

TURIN 2 - Turin plant, VALLE D'AOSTA, BELLUNO, TURIN 1 - City of Turin and LA SPEZIA were officially awarded to Italgas Reti.

In Greece, as at 31 December 2023, Italgas holds the natural gas distribution licences of Enaon EDA (the only operating company following the merger by incorporation of EDA Thess and EDA Attikis) amounting to 145 Municipalities, of which 106 are already in operation.



⁷¹ For more information on the regulation concerning the assignments of gas distribution service and the related call for tenders, please see the specific section in the chapter "Legislative and regulatory framework".

⁷² The territorial presence where Italgas exercises control is shown in blue, the presence through affiliates over which it does not exercise control is shown in orange.

6.2 ENERGY EFFICIENCY SECTOR

6.2.1 MAIN ECONOMIC AND FINANCIAL INDICATORS

The following table summarises the main items of the adjusted financial statements:

(€ million)	2022	2023
Total revenues	155.8	298.9
Adjusted EBITDA	28.3	54.6
Adjusted EBIT	25.3	51.2
Adjusted EBITDA margin (%)	18%	18%
Adjusted EBIT margin (%)	16%	17%

Revenues in the Energy Efficiency sector (€ 298.9 million) increased by € 143.1 million due to the effect of revenues from energy efficiency measures related to the interventions carried out during the year referred to as Superbonus, as provided for by the Relaunch Decree, Decree Law 34/2020 - which introduced the "Superbonus 110", an incentive to access the tax bonus for work carried out on houses to improve energy efficiency and/or the "Sismabonus" that makes it possible to receive 110% of the expense generated and admissible in 4 years.

The operating profit for the Energy Efficiency sector as at 31 December 2023 amounted to € 51.2 million, up by € 25.9 million compared to the previous year.

6.2.2 OPERATING PERFORMANCE

The following table summarises the main operating figures for the sector:

	2022	2023
Super/Ecobonus contracts (no. of construction sites closed in the period)	118	462
Super/Ecobonus contracts (no. of construction sites open at the end of the period)	344	15
Heat management contracts (no.)	223	196
Industrial (no. of customers)	73	115
Plants managed by Government Bodies (no.)	213	132

2023 saw an important consolidation of the customer portfolio of the residential building efficiency project, an integral part of the Italgas Group's Strategic Plan with respect to climate change and sustainability, confirming the role of the subsidiary Geoside as a general contractor taking advantage of the contribution provided for by Decree Law no. 34/2020.

6.2.3 LEGISLATIVE FRAMEWORK

The Company deals with the activities of redevelopment and recovery of the residential building heritage "energy efficiency", allowing customers to access the tax deductions allowed by the reference legislation, such as the so-called "Superbonus", introduced by art. 119 et seq. of DL 34/2020 and further modifications, as well as the minor bonuses. In particular, the "Superbonus" business has developed as a result of the tax incentives provided by the legislature, which, through the mechanism of the "transfer of the tax credit" or the "invoice discount," have facilitated access to end customers (mainly condominiums) to such efficiency-boosting interventions, through the aforementioned tax incentive mechanisms.

DL 11/2023 subsequently introduced a generalized ban on the exercise of the options of invoice discount and assignment of the tax credit deriving from building bonuses, with exceptions provided for IACPs (Istituti Autonomi Case Popolari), non-profit organizations and condominiums in which the CILA and the assembly resolution are submitted and adopted before February 17, 2023. In addition, on 12/31/2023, the 110% Superbonus ended, and a mechanism came into effect according to which services billed in 2024 will enjoy a 70/30 tax incentive mechanism (where the tax credit corresponds to 70% of the expense and the condominium pays the remaining 30%), while those billed in 2025 will benefit from a 65/35 tax incentive mechanism.

6.3 INTEGRATED WATER SERVICE SECTOR

6.3.1 MAIN ECONOMIC AND FINANCIAL INDICATORS

In order to provide a broader representation of the business, a table relating to 2023* is presented in which the figures, with reference to the integrated water sector, of the operating companies Acqualatina and Siciliacque are shown with a view to full consolidation (2023 100%) and pro-rata consolidation (2023 pro-rata) from the date of acquisition relating, therefore, to the last quarter of 2023⁷³.

(€ million)	2023* 100%	2023* Pro rata
Total revenues	56.2	34.9
EBITDA	12.5	6.9
EBIT (operating profit)	4.9	2.3
Net profit	1.9	0.6
Group's net profit	0.6	0.6
EBITDA margin (%)	22%	20%
EBIT margin (%)	9%	7%

* Unaudited values

⁷³ In addition to Acqualatina and Siciliacque, the fully consolidated companies (Nepta, Acqua, Idrolatina and Idrosicilia) are included. On the other hand, in the reclassified income statement table, the result of Acqualatina and Siciliacque is included in net income from equity investments.

6.3.2 OPERATING PERFORMANCE

The following table summarises the main operating figures for the sector:

	2023
Customers served (thousands)	2,295.30
Water service concessions (number)	7
Managed water distribution network (kilometres)	8,880
Water sales (millions of cubic metres)	98.8

6.3.3 LEGISLATIVE AND REGULATORY FRAMEWORK

The group of public services for the collection, adduction, and distribution of water for civil use, sewage, and wastewater purification, including the collection adduction and purification services, which are part of the Integrated Water Service (IWS), are regulated by ARERA pursuant to Article 21, subsections 13 and 19, of Decree Law no. 201/11. Among the functions of regulation and control of water services are the determination and updating of tariffs, as well as the preparation of rules to guarantee the conditions of efficiency and quality of the services provided and the protection of the interests of users and consumers.

The tariff system provides that the competence of submitting tariff proposals to the Authority lies with the area governing body, Ente di Governo d'Ambito (EGA), which provides for the approval of the data and documents prepared by the operator.

For the third regulatory period (2020–2023), the Authority adopted the Water Tariff Method MTI-3, introduced by Resolution no. 580/2019/R/idr of 27 December 2019.

Regulatory periods in the Water Sector

2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
MTI 3 Third Water Tariff Method				MTI 4 Fourth Water Tariff Method					
RDTI 20-23				RDTI 24-29					
		RDTI 22-23 Biennial update 22-23				RDTI 26-27 Biennial update 26-27		RDTI 28-29 Biennial update 28-29	

RDTI
20-23

Collection of Water Tariff Data for submission and approval to the EGA for the approval of the tariffs for the four-year period 20–23.

Biennial
update

Biennial update of the resolution relating to the tariff method, preceded by a DCO and followed by data collection for the second two-year period of the regulatory period.

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The main elements of tariff regulation are as follows:

Highlights 2020-2023 regulation period

End of regulation period (tariffs)	31 December 2023		
Calculation of net invested capital recognised for regulatory purposes (RAB)*	Historical cost revalued		
Remuneration of net invested capital recognised for regulatory purposes (Financial Expense + Tax Expense)	Investments before 2012	2020 -2021 5.24 %	2022 - 2023 4.8%
	Investments after 2012	6.24%	5.8%
Incentives for new investments	Possibility of recognition of the tariff component (new investment fund) for operators positioned in Schedules IV, V and VI (operators with a ratio of expected new investments to RAB from the previous regulatory period greater than 0.5)		

* The RAB pro quota of the sector, resulting from the application of the criteria adopted by the Authority, with reference to the investments made up to 31 December 2023, within the scope of the definition of the reference tariffs, is equal to € 0.1 billion.

The following components contribute to the tied revenues recognised by the Guaranteed Revenue Constraint (VRG) method to the operator:

VRG =	CAPEX +	FONI +	OPEX +	ERC +	RC
Guaranteed Revenue Constraint	Represents the cost of fixed assets, including finance, tax and depreciation expense	Represents the possible advance for financing new investments , supporting the specific objectives and resulting interventions	Component consisting of operating costs , other than ERCs, understood as the sum of operating costs endogenous to management, upgradable operating costs, and operating costs associated with specific purposes	Component covering environmental and resource costs	Adjustment component related to the Guaranteed Revenue Constraint for the year (t-2), required to recover approved costs related to previous years

With Resolution no. 580/2019/R/idr of 27 December 2019, the Authority approved the Water Tariff Method for the third regulatory period (MTI-3), defining the rules for calculating the costs admitted to tariff recognition for the four-year period 2020-2023.

With Resolution no. 639/2021/R/idr of 30 December 2021, the Authority approved the rules and procedures for the two-year update, provided for by Article 6 of Resolution no. 580/2019/R/idr, for the purposes of redetermining the tariffs of the integrated water service for the years 2022 and 2023, drawn up in compliance with the Tariff Methodology (MTI-3).

With Resolution no. 639/2023/R/IDR of 28 December 2023, the Authority approved the water tariff method for the fourth regulatory period 2024-2029 (MTI-4), defining the rules for calculating the costs that are eligible for recognition in the tariff.

6.3.4 CONCESSIONS

At 31 December 2022, Nepta operates the water service for five Municipalities in the Province of Caserta: Caserta, Baia and Latina, Casaluce, Galluccio and Roccaromana. The concessions naturally expired in 2020 and 2021, therefore, the management is extended, under the *prorogatio* system, until the management is entrusted to the new Operator of the Integrated Water Service in the District of Caserta.

Acqualatina is the operator of the Integrated Water Service in the territory of ATO4 Lazio Meridionale – Latina with a managed territory of 38 Municipalities.

Siciliacque is the 40-year concession holder of the collection, storage, drinking water and adduction service in the Sicily Region.

The acquisition in January 2024 saw the addition of the Western Campania concession in Naples and Caserta, through the company Acqua Campania, for the capture, purification, adduction and transportation of drinking water for water distribution companies.

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BUSINESS OUTLOOK

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7. BUSINESS OUTLOOK

Italgas, in line with the provisions of the 2023-2029 Strategic Plan, will continue to pursue its objectives mainly aimed at strengthening, developing and digitally transforming its gas distribution assets in Italy and Greece, establishing itself as a leading player in the water distribution and energy efficiency sectors.

The Group will maintain a leading role in achieving the European Union's climate objectives, further advancing the decarbonisation of the sector through the development of renewable gas and improving the flexibility and resilience of the entire energy system. At the same time, the Group will ensure energy security and cost competitiveness for the benefit of businesses and households.

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8. BUILDERS OF THE FUTURE

In each of the following chapters, the main short- and medium-to-long-term impacts associated with the three pillars of the 2023-2029 Sustainable Value Creation Plan are reported, with an indication of the capitals on which these impacts have the most significant effect: each action envisaged by the Plan generates multiple short- and medium-to-long-term effects which, in turn, may impact more than one type of capital.

BUILDERS OF THE FUTURE

FOR THE FUTURE OF THE PLANET



- Digitalise to bring about the energy transition and decarbonisation
- Contribute to the fight against climate change
- Protect the ecosystems and promote a circular economy



FOR THE FUTURE OF PEOPLE



- Improve the quality of life and ensure the safety of employees, citizens and the national energy system
- Develop and disseminate the skills of the future
- Valorise diversity and support equal opportunities and inclusion



FOR A SUSTAINABLE FUTURE TOGETHER



- Promote innovation and dialogue through partnerships
- Promote the principles of Sustainability in the supply chain
- Take care of the territory



8.1 ITALGAS FOR THE FUTURE OF THE PLANET

SDGs



GRI

302 303 305 306

● NFS

The Group's commitment to environmental protection and decarbonisation issues runs through all its business components:

- In the distribution of natural gas, the company is called upon to meet the energy needs of its eight million users in a sustainable manner. That is why it is committed to continuously improving its infrastructure as well as extending it, with the aim of making it fully digital and increasingly secure, as well as more accessible. Through digitisation, networks are adapted to accommodate and distribute different and renewable gases such as biomethane, biogas and hydrogen.
- In the water sector, in which Italgas operates, the modernisation of the infrastructure in technological and digital terms enables a more efficient management of such a precious resource, while at the same time improving the quality of the service offered.
- By enhancing the activities of the ESCo Geoside and reducing the Group's energy consumption and emissions, Italgas continues to strengthen its role as an active player in the fight against climate change.

Moreover, Italgas' commitment is reflected in the protection of the ecosystems in which it operates and in the promotion of the circular economy.

SPECIFIC MATERIAL TOPICS

- Network digitalization and innovation
- Energy transition and fight against climate change
- Adoption of circular economy principles
- Management of ecosystem and biodiversity

TRANSVERSAL MATERIAL TOPICS

- Compliance, transparency and fight against corruption
- Responsible governance and risk management
- Economic value generation and ESG finance

MEDIUM-TO-LONG-TERM IMPACTS OF OUR ACTIVITIES

NATURAL CAPITAL



- Decarbonisation of the Country in accordance EU goals
- Mitigation of environmental impacts, protection of the ecosystems, support for the circularity EU goals

FINANCIAL CAPITAL



- Safe and efficient access to energy for all
- Energy security of the Country
- Economic development of the country

MANUFACTURED CAPITAL



- Digitisation, innovation, efficiency, safety and sustainability of gas distribution infrastructure
- Safe and efficient access to energy for all
- Energy security of the Country

INTELLECTUAL CAPITAL



- Digitisation, innovation, efficiency, safety and sustainability of gas distribution infrastructure
- Energy security of the Country

RELATIONSHIP CAPITAL



- Digitisation, innovation, efficiency, safety and sustainability of gas distribution infrastructure
- Decarbonisation of the Country in accordance EU goals
- Safe and efficient access to energy for all



WE COUNT ON DIGITISATION TO BRING ABOUT THE ENERGY TRANSITION AND THE DECARBONIZATION

ACTIONS	TARGET ⁷⁴	2023 PERFORMANCE
<p>Repurposing the network to increase its flexibility and ensure the necessary connections for the distribution of biomethane and hydrogen</p>	<ul style="list-style-type: none"> ▪ 100% network ready to accommodate hydrogen by 2028 ▪ 90% network digitised and monitorable by DANA by 2024 in Italy and by 2026 in Greece 	<p>Distribution network compatibility:</p> <ul style="list-style-type: none"> ▪ 100% with a 2% hydrogen blend ▪ 96% of the "street" network and 60% of UDPs⁷⁵ with a 20% blend. <p>Plant compatibility:</p> <ul style="list-style-type: none"> ▪ 100% with a 2% blend ▪ Over 97% of non-IPRMs and over 40% of IPRMs compatible with a 10% blend <ul style="list-style-type: none"> ▪ At the end of 2023, DANA operated 414 of the 803 plants in the Italgas Group's network.
<p>Extending the network to non-methanised territories</p>	<ul style="list-style-type: none"> ▪ 360,000 new users connected to the Group natural gas distribution networks expansions by 2029, thus replacing more polluting sources, allowing sector coupling and reducing costs for customers 	<p>15,000 c.a. new users connected to the Group's natural gas distribution networks</p>

⁷⁴ The targets, approved by the BoD in June 2023, refer to the perimeter of the Group companies consolidated using the line-by-line method as of June 2023. They do not include the water service companies acquired in 2023 following the aforementioned BoD and which were subsequently merged into Nepta, or any future changes as a result of ATEM tenders and M&A transactions

⁷⁵ User Derivation Plants.



WE CONTRIBUTE TO THE FIGHT AGAINST CLIMATE CHANGE

ACTIONS	TARGET	2023 PERFORMANCE
Enhancing the activities of ESCo Geoside	<ul style="list-style-type: none"> 280,000 MWh saved by ESCo customers, corresponding to about 62,000 tons of CO₂, thanks to energy efficiency interventions implemented between 2022 and 2028 	25,024 tCO ₂ eq of which 15,494 were in 2023
Reducing the Group's energy consumption and greenhouse gas emissions	<ul style="list-style-type: none"> -34% of Scope 1 and 2 emissions⁷⁶ by 2028, -42% by 2030 (baseline 2020), Net Zero Carbon by 2050 -27% of net energy consumption by 2028, -33% by 2030 (2020 baseline) 	-22.2% Scope 1 and 2 emissions -31.4% Net energy consumption
Reducing the GHG emissions from the Group's value chain	<ul style="list-style-type: none"> 30% Scope 3 supply chain emissions by 2028 (2020 baseline), -33% by 2030 	-29.6% Scope 3 supply-chain emissions ⁷⁷



WE PROTECT THE ECOSYSTEMS AND PROMOTE A CIRCULAR ECONOMY

ACTIONS	TARGET	2023 PERFORMANCE
Introducing ecodesign principles in smart meter production	<ul style="list-style-type: none"> 50% of all active smart meters designed according to «Design for environment» criteria in lieu of GPRS meters by 2028 	Over 7,000 active "Design for Environment" smart meters installed to replace the GPRS meters
Reducing the amount of waste sent on for disposal	<ul style="list-style-type: none"> 100% of the waste produced annually by the Group sent on for recovery by 2028 95% of the waste produced annually by contractors of the Group sent on for recovery by 2029 	99.2% Annual waste produced by the Group sent for recovery 97.3% Annual waste produced by the Group's contractors sent for recovery
Managing and mitigating the impact of the Group on the ecosystems	<ul style="list-style-type: none"> Realisation by 2024 of an integrated model for the evaluation, management and monitoring of the impacts of Group activities on the ecosystems 	Preliminary requirements for the development of the model defined (on the gas infrastructure scope in Italy)

⁷⁶ Scope 2 market-based.

⁷⁷ Data relating to the Italian scope.

8.1.1 NETWORK INNOVATION AND DIGITISATION TO ENABLE ENERGY TRANSITION AND DECARBONISATION

With the aim of completing the digital transformation of assets and making Italgas to all intents and purposes a key player in the energy transition, the Group has earmarked, as part of its 2023-2029 Strategic Plan, € 1.6 billion (€ +100 million compared to the previous Plan) for the digitisation of the Italian networks and about € 200 million for the Greek networks; a plan in line with the European decarbonisation objectives and the development of renewable gases such as biomethane, synthetic methane and green hydrogen.

SCHEDULED GAS LEAKAGE DETECTION

The Group is strongly committed to minimising fugitive methane emissions, using and promoting the adoption of the most advanced leak detection solutions. Already in 2018, Italgas introduced Picarro Surveyor, the most cutting-edge technology available in the field of network monitoring and gas leak detection based on CRDS (Cavity Ring-Down Spectroscopy) technology, a sophisticated detection technology that, compared to traditional technologies, offers significant advantages in terms of speed of action, sensitivity of detection and inspectable areas. It is, in fact, capable of:

- detecting fugitive emissions with a sensitivity three orders of magnitude higher than those currently used by all other industry players (parts per billion vs parts per million);
- detecting a gas leak even at a distance of several dozen metres from the route covered by the equipped vehicle, thanks to specific on-board sensors and sophisticated calculation software.

The accuracy and robustness of the instrumental method is ensured by the possibility of accurately localising, classifying and precisely quantifying both the most significant and influential gas emission sources (super emitters) and the smaller ones; as well as of quantifying the expected benefits/improvements from targeted maintenance initiatives on the network and prioritising network renewal interventions with a view to reducing the effects of gas leakage and an appropriate cost/benefit balance.

Since 1 January 2020, Picarro Surveyor has completely replaced other traditional systems on 100% of the network operated by Italgas. In 2023, Picarro technology was also implemented in Greece to inspect approximately 9,000 km of pipelines, corresponding to 120% of the network.

This makes Italgas one of the first, very few, gas distributors in Italy and Europe to carry out scheduled gas leakage detection, also extended to all the underground and overhead connections, albeit this activity is not prescribed by current legislation and regulations. The technology made it possible to inspect the Group's entire network several times a year, i.e. more than three times (for high/medium-pressure pipelines) and more than four times (for low pressure pipelines) the requirement stipulated by ARERA.

Italgas has also applied the system in very specific urban contexts, like Venice, where the natural gas distribution network has no equals worldwide, due to the undersea pipes, clamped to the arches of the bridges or below the pedestrian crossings. The network monitoring in the lagoon is thus carried out using a boat equipped in a similar manner to the cars and that applies and benefits from the same specifications.

DIGITISATION AND REMOTE SUPERVISION OF NETWORK INFRASTRUCTURES

Italgas Reti has started the completion of the digitisation and remote supervision of network infrastructures through the installation of sensors and actuators, directly connected to RTUs (Remote Terminal Units) for two-way communication between the field and the control and command centre.

During 2023, the project continued to develop and integrate DANA "Digital Advanced Network Automation", the centralised command and control system developed by Italgas and Bludigit. Building on the asset digitisation already implemented, DANA enables automatic remote monitoring

and control 24/7, and records and analyses data (e.g. gas pressure and volume measurements, odourisation level, signals and alarms). The information collected is processed with algorithms to predict and anticipate potential network failures, improve operational efficiency and enable real-time data-driven decisions. In 2022, DANA was expanded to manage the biomethane connections to our network: thanks to a two-way inlet valve, our technicians can remotely stop volumes of biomethane if the quality of the injected gas does not comply with the standards. At the end of 2023, 321 Italgas Reti plants, 73 Medea plants and 20 Toscana Energia plants were remotely controlled through DANA. By 2024, 90% of the Italian plants are expected to be remotely controlled through DANA (in Greece by 2026).

THE INTEGRATION OF GREEN GASES IN THE NETWORKS

Italgas has long promoted the adoption of renewable gas solutions, such as biomethane and hydrogen. In its 2023-2029 Strategic Plan, the Group has allocated around € 1.8 billion for the digitisation of the Italian and Greek distribution network, in preparation for the integration of green gas within the network.

With regard to biomethane, Italgas has adopted a strategic approach aimed at its full integration into the gas distribution network, with the goal of connecting 400 production plants, built by third parties, to the distribution network by 2029, in line with the Strategic Plan and the Sustainable Value Creation Plan. In 2023, the first connection to the network, connected to the Bonollo Distillery plant, was completed, followed by the further connections of two new biomethane plants produced from wastewater sludge in Rome, with a total capacity of 2.6 million cubic metres per year.

Again with reference to biomethane, another key initiative is the collaboration, formalised during the year, with the National Confederation Coldiretti, the main organisation of agricultural entrepreneurs at national and European level. The partnership is aimed at promoting biomethane production in Italy, actively involving farmers and raising awareness about the opportunities offered by this renewable energy source. Coldiretti is committed to ensuring the involvement of its members in biomethane information and training plans, as well as to mapping existing biogas plants with the potential to be converted to biomethane. This collaboration reflects the joint commitment of Italgas and Coldiretti towards energy transition based on renewable sources and the principles of the circular economy.

At the same time, Italgas is also focusing on the research and development of various solutions to harness the potential of hydrogen. One such solution is Power to Gas, a project under development near Cagliari. The initiative represents the first application in the EU, aimed at testing the entire green hydrogen chain, from the production of hydrogen from electricity produced by photovoltaic panels, to the distribution in the networks and the end uses, such as mobility, industrial applications and residential uses. Operational start-up is planned for the first half of 2025, with the aim of producing and distributing up to 200 tonnes of green hydrogen in Sardinia by 2028, demonstrating the effectiveness of the solution for transport, industrial and residential uses. Italgas believes that Power-to-Gas technology is another way in which gas and electricity sectors are merging, able to offer a reliable solution to the problem of the reduced programmability of renewable resources. The plant will be connected to the "digital native" networks that Italgas, through its associate Medea, has built and is continuing to build in Sardinia. Today, the region, which was once the only one in Italy not reached by natural gas, can, in fact, boast the country's most modern infrastructure; a network that guarantees greater efficiency and quality of gas distribution service, and which, thanks also to this project, will allow renewable gas to be received and distributed to end customers, making the achievement of decarbonisation targets ever more concrete.

A further step forward in Italgas' adoption of innovative technologies for the integration of green gases into its gas distribution networks is its new Nimbus smart meter, the meter designed to be hydrogen-compatible and integrate advanced green gas measurement and management capabilities. For further details, see box "The new Nimbus smart meter" in section 8.1.1.

In its ongoing search for solutions for the use of renewable gases, Italgas is reorganising its laboratories, reviewing their mission, activities and organisation, with the aim of transforming them into internal centres of competence for research and thus enabling the Group to represent European excellence in the field of natural gas and new renewable gases that can support the energy transition.

THE NEW NIMBUS SMART METER

Italgas has also developed a new smart meter – Nimbus – unveiled in December 2023 and to be field-tested in 2024. Perfectly compatible with hydrogen, it is designed to improve performance and ensure safety. The new smart meter combines state-of-the-art communication technology, environmentally sustainable design and operational efficiency. The 2023-2029 Strategic Plan envisages investments related to the large-scale installation of the new meter in Italy and Greece, starting in 2025-2026.

The main components include:

- a gas flow measurement system with static, thermo-mass technology in particular, compatible with natural gas and methane-hydrogen blends up to 23%;
- a seismic sensor and an external temperature detection sensor that automatically close the solenoid valve in the event of earthquakes and/or fire;
- specific anti-tamper solutions to warn of attempts to tamper with and disconnect the equipment;
- remote communication modules based on NB-IoT technology for the primary network and LoRaWAN for the secondary network, and an additional structured backup network based on mesh technology, to ensure maximum quality of signal transmission;
- an average communication battery life of 15 years, double that of conventional smart meters on the market;
- instead of an estimated measurement, it provides an actual measurement of the remaining battery charge;
- the use of up to 85% recycled materials.

The first 20,000 Nimbus units will be installed and operational by early 2024, while mass installation on Italgas' 8 million users will begin in the second half of 2025.



THE BONOLLO BIOMETHANE PLANT

In 2023, at the Bonollo Distillery in Conselve (Padua), the connection to the network of the first biomethane production plant derived from the liquid waste of grappa distillation was successfully completed. This project represents a tangible example of Italgas' commitment to implementing a real transformation towards renewable and sustainable energy sources, working actively in collaboration with industry partners. The process that led to the implementation of this project was long and demanding, with 16 months of work required to technologically upgrade the existing biogas production plant and to implement the essential connection for the injection of biomethane into the Italgas distribution network. The plant is capable of transforming liquid waste from distillation activities into biomethane, producing an average of 10,000 cubic metres per day, equivalent to around 2.5 million cubic metres per year. This process not only reduces carbon emissions, but also makes it possible to recover materials that would otherwise be considered waste, promoting a circular economy logic. The connection to the gas distribution service of the Bonollo Distillery plant was also achieved thanks to the use of the DANA application, which allows continuous control over the quality of the gas injected into the network and the remote management of the entry point, improving the operational efficiency and safety of the plant.



BLUDIGIT AND DIGITAL NETWORK TRANSFORMATION

Established in 2021 as part of the Italgas' innovation and digital transformation process, Bludigit is the company within the Group whose aim is to create cutting-edge technological solutions that can be used both internally and on the market by other operators. Through the Digital Factory, which serves as the nerve centre for innovation within the Group, Bludigit is committed to the process of digitising processes and improving operational and management activities relating to the network and service quality.

In 2023, Bludigit continued to effectively support the Group in achieving its sustainability goals through a series of targeted initiatives. Below are the main new applications released during 2023:

- **Route Planner**, a solution implemented in 2023 that can optimise the routes travelled by Picarro drivers, the cars equipped with the leak detection technology, during leak detection sequences, minimising and optimising the kilometres travelled by the cars.
- **SUPPLY HUB**, the new supplier portal that allows Italgas' network of companies to find all the operational tools they need to manage their contracts and outsourced works.

Sustainability is the criterion that guides the entire design and development process of digital solutions: in 2023 Bludigit contributed to the development, together with the Foundation for Digital Sustainability, of the UNI/ PdR 147 practice "Digital Sustainability – Requirements and Indicators for Innovation Processes", aimed at the compliance of digital transformation projects with sustainability indicators in order to be consistent with the Sustainable Development Goals of the UN 2030 Agenda.

8.1.2 ATTENTION TO THE ENVIRONMENT

The challenges contained in the Sustainable Value Creation Plan, already included in the 2023-2029 Strategic Plan, have led to a review of the specific targets in terms of further reductions in emissions and energy consumption, in line with the climate targets, also long-term, set by the European Union.

The sustainability targets set for 2028 aim to reduce CO₂ emissions and energy consumption, allowing the Group to stay ahead of the EU's 2030 targets. Thanks to the digitisation of the network, technological innovations and energy efficiency measures, Italgas expects that by 2028 it will have reduced its net energy consumption by 27%, Scope 1 and Scope 2 market-based climate-altering emissions by 34% and Scope 3 greenhouse gas emissions related to its supply chain by 30%, through intensified engagement and partnership activities with its suppliers to achieve the target⁷⁸. Furthermore, the Italgas Group has set itself targets in line with the main timelines defined by the Green Deal, with the same baseline and scope defined for the previous targets: -33% net energy consumption by 2030, -42% Scope 1 and Scope 2 market-based emissions and -33% Scope 3 supply chain emissions.

Not only are the medium-term targets of Italgas to reduce greenhouse gas emissions, of the Group and its supply chain, designed to meet EU targets in the same time frame, in accordance with the long-term goal of limiting climate change, but they are also aligned with a 1.5°C target in support of the Paris Agreement and are also an integral part of the long-term goal of achieving a "Net Zero Carbon Target" by 2050, based on the above initiatives and carbon removal activities from 2030 onwards.

Since the specific SBTi methodology for the Oil & Gas sector, to be applied to gas distribution, is not yet available and, therefore, it is not yet possible for the targets to be formally validated by SBTi, Italgas obtained confirmation of the alignment of its targets with a 1.5°C scenario path from an independent consulting company (Carbonsink, of the South Pole group), specialised in the analysis of climate scenarios.

Italgas plans to make significant contributions to the achievement of the sustainability targets thanks to various initiatives developed with Geoside, the Group's ESCo, aimed at energy efficiency of the Group's assets in both the industrial and civil sectors, training activities for employees on energy efficiency issues, as well as the development of a predictive maintenance plan on gas networks, aiming to drastically reduce dispersion in the atmosphere.

With regard to civil consumption, the restructuring of several important company offices already completed, already under way or planned, will help further reduce the energy demand and, as a result, related emissions. On the other hand, with regard to industrial consumption, the Group is continuously implementing and experimenting with innovative solutions aimed at improving efficiency and reducing consumption, which are discussed in more detail below.

⁷⁸ Enaon is included in the above targets, which are to be considered with equal scope, excluding any changes as a result of M&A and ATEM tenders.

POLICIES AND COMMITMENTS

All Italgas' business is carried out paying close attention to the environment, natural resources and public and personal safety, considering all these as key factors to the sustainable development of the business and the territory.

The commitment on these issues is expressed in the "Health, Safety, Environment, Quality and Energy Policy (HSEQE)" of the Italgas Group⁷⁹, developed on the basis of company policies and in line with the Code of Ethics aimed at enhancing and protecting natural and human resources, essential values for the Company. This Policy stresses the Company's commitment to considering its Integrated Management System one of the main stimuli for involving personnel and improving its processes, basing operational choices on correctness, professionalism and compliance, to ensure the supply of a service based on the best quality standards in order to satisfy Customer expectations.

In line with the Group's Management Models, the Company applies a regulatory system which aims to guarantee the safety and health of people (employees, end customers, contractors, etc.), prevent accidents, ensure the protection of the environment and public safety and the rational use of energy.

The effective implementation of the policy in relation to issues of health, safety and the environment is guaranteed and monitored by the department responsible for the direction, management and control of HSE activities. In 2023, 55,202 hours of training on HSE aspects were provided (53,040 in Italy and 2,162 in Greece). In addition, awareness/information meetings amounting to more than 1,500 hours were provided to over 880 employees. Finally, 64 meetings were dedicated to contractors, involving 738 participants.

CONSUMPTION

The energy source used the most in the Group's activities is natural gas, in both civil and industrial uses, and for vehicles.

The Group figures are presented below, which also take into account Enaon's contribution for the full year of 2023, which for 2022 had been integrated for four months, starting on 1 September 2022 (date of acquisition).

In 2023, energy consumption was 425.0 TJ. The figure shows a marked improvement over 2022, i.e. -55.7 TJ, corresponding to -11.6%. The reduction on the Italian scope (-70.7 TJ equal to -15.0%) comes along with the contribution on the Greek scope (23.7 TJ) related to the consolidation of data on the entire year of 2023.

Total Group

Net energy consumption ⁸⁰	u.m.	2021	2022 ⁸¹	2023 ⁸²	% Change 2022-2023
Fuel energy consumption for industrial use	TJ	319.3	243.8	221.8	-9.0
Fuel energy consumption for civil use	TJ	46.7	32.9	22.1	-32.8
Fuel energy consumption for vehicles ⁸³	TJ	137.2	116.0	116.8	0.7
Net electricity consumption for industrial use	TJ	56.6	52.1	32.1 ⁸⁴	-38.4
Net electricity consumption for civil use	TJ	37.1	35.6	32.0	-10.1
Thermal energy consumption for civil use	TJ	0.3	0.3	0.2	-33.3
Total	TJ	597.2	480.7	425.0	-11.6

⁷⁹ www.italgas.it/wp-content/uploads/sites/2/2021/07/Politica-HSEQE_ITA.pdf

⁸⁰ This refers to total energy consumption, from which any self-produced and self-consumed electricity consumption is subtracted.

⁸¹ Greek scope included from September 2022.

⁸² The 2023 consumption values were calculated using the ISPRA 2023 conversion factors – national standard parameters table – fuels/materials.

⁸³ For the Italian scope, as of 2022, it has been possible to subdivide the mileage for private and business use of cars so that only the consumption and emissions for business use would be taken into account.

⁸⁴ 18.2 TJ of electricity produced by plants equipped with turbo-expanders and co-generation plant were subtracted.

Italy

Net energy consumption ⁸⁵	u.m.	2021	2022	2023 ⁸⁶	% Change 2022-2023
Fuel energy consumption for industrial use	TJ	319.3	242.6	218.7	-9.9
Fuel energy consumption for civil use	TJ	46.7	32.4	19.9	-38.6
Fuel energy consumption for vehicles ⁸⁷	TJ	137.2	111.5	106.0	-4.9
Net electricity consumption for industrial use	TJ	56.6	51.7	31.4 ⁸⁸	-39.3
Net electricity consumption for civil use	TJ	37.1	33.5	25.1	-25.1
Thermal energy consumption for civil use	TJ	0.3	0.3	0.2	-33.3
Total	TJ	597.2	472.0	401.3	-15.0

Greece

Net energy consumption ⁸⁹	u.m.	September - December 2022	2023 ⁹⁰
Fuel energy consumption for industrial use	TJ	1.2	3.1
Fuel energy consumption for civil use	TJ	0.5	2.2
Fuel energy consumption for vehicles	TJ	4.5	10.8
Net electricity consumption for industrial use	TJ	0.4	0.7
Net electricity consumption for civil use	TJ	2.1	6.9
Thermal energy consumption for civil use	TJ	0.0	0.0
Total	TJ	8.7	23.7

FUEL ENERGY CONSUMPTION FOR INDUSTRIAL USE

In 2023, fuel energy consumption for industrial use decreased compared to the previous year (-22.0 TJ equal to -9.0%, determined by a reduction on the Italian scope of 23.9 TJ equal to -9.9% and by the contribution on the Greek scope of 3.1 TJ compared to 1.2 TJ in 2022).

This result was achieved thanks to the continuation of the efficiency-boosting measures implemented on the Group's plants, such as the replacement of natural gas preheating boilers and the installation of optimised gas preheating sections, and the digitisation of monitoring and control processes, which allowed for more efficient operations. The specific consumption of the pre-heating⁹¹ process shows a slight decrease for the Group⁹², from 1.01 to 1.00, despite the effect of the additional gas consumption due to the operation of plants equipped with turbo-expanders and co-generation activated in 2023, the same plants that resulted in a simultaneous production of electricity for self-consumption of 18.2 TJ.

Thanks to the efficiency initiatives implemented, an active decrease was recorded in industrial self-consumption of natural gas for the gas preheating process: over the year, at Italgas Reti,

⁸⁵ This refers to total energy consumption, from which any self-produced and self-consumed electricity consumption is subtracted.

⁸⁶ The 2023 consumption values were calculated using the ISPRA 2023 conversion factors – national standard parameters table – fuels/materials.

⁸⁷ As of 2022, it has been possible to subdivide the mileage for private and business use of cars so that only the consumption and emissions for business use would be taken into account. The reduction of private use kilometres resulted in the following reductions: -3.2 million km in 2022 and -1.7 in 2023; -8.6 TJ in 2022 and -3.2 in 2023; -0.45 10³ ton CO₂ in 2022 and -0.11 in 2023.

⁸⁸ 18.2 TJ of electricity produced by plants equipped with turbo-expanders and co-generation plant were subtracted.

⁸⁹ This refers to total energy consumption, from which any self-produced and self-consumed electricity consumption is subtracted.

⁹⁰ The 2023 consumption values were calculated using the ISPRA 2023 conversion factors – national standard parameters table – fuels/materials.

⁹¹ Specific consumption, i.e. consumption of natural gas for preheating per 1,000 Sm³ of gas injected into the network, expressed in Sm³ preheating/10³ Sm³ gas injected into the network.

⁹² Referring to Toscana Energia and Italgas Reti. If plants equipped with turbo-expanders and co-generation were excluded, the specific consumption would drop to 0.88.

the installations of preheating optimisation systems were completed, while Toscana Energia had completed the efficiency campaign on its plants as early as 2022.

During 2023, Toscana Energia continued to install equi-distributors, which will ensure further savings already during the 2024 heating season. Also considering the work carried out in past years, Italgas Reti's Reduction and Measurement Collection Plants (IPRMs) equipped with pre-heating systems that use consumption optimisation technology will total 620 at the end of 2023; by 2023, moreover, the plan to install such systems at all IPRMs is expected to be completed.

For Italgas Reti, an innovative thermal generation system (Integrated Pre-Heated System) was installed at a IPRM located in Abbadia (NO) at the end of 2022, used to further reduce the consumption of natural gas for pre-heating. During 2023, the project continued in cooperation with an innovative SME, further improving the solution. The use of thermal generators that are more efficient than conventional boilers and the use of innovative thermal storage allow for lower overall consumption. Two different system configurations were identified for installation depending on the size of the IPRM. The first one, assembled inside a container, features a phase-change thermal storage and two separate heat sources operating in parallel: a micro-cogenerator and an air-water heat pump unit. The second is a gas heat pump and thermal storage installed in the cabin. To date, there are 6 plants installed⁹³, with the goal in 2024 to have new ones installed and to make them fully digitised and automated.

LPG consumption is attributable to Medea: in 2023, thanks to energy optimisation and efficiency activities and the conversion of smaller, less efficient LPG plants to state-of-the-art LNG plants, this consumption was reduced by about 18%.

FUEL ENERGY CONSUMPTION FOR CIVIL USE

Energy consumption from fuel for civil use recorded a decrease compared to 2022 (-10.8 TJ or -32.8%, determined by a reduction in the Italian scope of 12.5 TJ or -38.6% and the relative contribution from the Greek scope of 2.2 TJ compared to 0.5 TJ in 2022).

In 2023, numerous actions were implemented to reduce methane gas consumption, including, for example: optimal management of heating and/or air conditioning plants and the related set-points, rescheduling switch-on of such according to external climate conditions, greater segmentation of plants in the main sites so as to allow for their switch-off when no staff are in the premises.

The virtuous reduction of civil consumption, now an integral part of real estate management, will continue during 2024 along the following lines:

- the process to renew building stock;
- extension to all the Group's operating sites of the ability to monitor consumption in real time and analyse it thanks to introduction of smart sensors;
- the installation of photovoltaic systems and, in some cases, the expansion of existing ones to increase the amount of electricity self-produced and consumed on site.

⁹³ Abbadia, Cuneo, Fossano, Savigliano, San Michele Mondovì and Nizza Monferrato.

FUEL ENERGY CONSUMPTION FOR VEHICLES

Energy consumption from transport fuel increased slightly compared to 2022 (+0.8 TJ or +0.7%, driven by a reduction on the Italian scope of 5.5 TJ or -4.9% and the contribution on the Greek scope of 10.8 TJ compared to 4.5 TJ in 2022).

The entire vehicle fleet was renewed on the basis of the following strategic drivers:

- the improvement of sustainability criteria in the short, medium and long-term, both in respect of reducing polluting emissions (CO₂, NO_x and PM) and in terms of limiting expenditure for fleet operation⁹⁴;
- the increased availability of operative vehicles, by reducing maintenance and repair time;
- the rationalisation of the number of vehicles in the fleet.

During 2023, lines of action were pursued mainly to reduce emissions and make the vehicle fleet more efficient. In particular, the actions included:

- training of more than 192 employees in safe, sustainable driving courses;
- the use of digital solutions for carrying out operational activities, such as the applications released by the Digital Factory, which allow employees to optimise the journeys they need to make across the territory (e.g. the online quote issuing service and the full adoption of Work-on-Site for monitoring work sites).

In Italy, the 2023 kilometres travelled by all car types totalled 32.3 million km (-1.7 compared to 2022, i.e. -5.0%). In Greece, due to the different consolidation period, the millions of km travelled increase from 1.6 million km in September-December 2022 to 3.9 million km for the whole of 2023.

NET ELECTRICITY CONSUMPTION FOR INDUSTRIAL USE

Net industrial electricity consumption decreased year-on-year (-20.0 TJ or -38.4%, driven by a reduction on the Italian scope of 20.3 TJ or -39.3% and the contribution on the Greek scope of 0.7 TJ compared to 0.4 TJ in 2022).

The reduction is mainly attributable to plant efficiency improvements in the management of water distribution and to the self-consumption of electricity produced in city gates equipped with turbo-expanders combined with co-generation plants (18.2 TJ). The trend is positive despite the fact that numerous new utilities were activated during 2023, connected with the installation of GRDFs⁹⁵, which resulted in an additional consumption of 130.2 MWh (0.47 TJ).

Experimental installation continued of:

- direct-drive meters inserted into the electrical panels, at IPRMs, which allow for the monitoring of the general consumption and secondary utilities (cathode or light protection), enabling more detailed analysis, also with a view to certification in accordance with ISO 50001:2018;
- innovative systems enabling energy to be recovered by means of microturbines at GRDFs. These systems harness the energy otherwise dissipated by the gas pressure reduction process, turning it into electricity available for use on site (energy harvesting systems).

In Toscana Energia, a saving in electricity consumption of 6.9% in 2023 was observed. The reasons for this trend are mainly to be found in the optimised operation of electro-circulators on upgraded preheating systems.

In 2023, Italgas Reti continued the replacement of traditional circulators with inverter-driven electric circulators inside the thermal plants for pre-heating. In addition, the revamping of existing photovoltaic plants with more efficient modules has been planned, and in-depth studies have been launched to carry out new installations of photovoltaic plants on both IPRM and GRDF, to guarantee the self-production of electricity required to meet the needs of the new digitised plants.

⁹⁴ The initiatives implemented resulted in an overall reduction of more than 13% in NO_x emissions on 2023 (0.053 gNO_x/km). Another significant parameter is the value of Particulates (0.0004 gPart/km). The savings obtained, if the same number of kilometres had been travelled using a non bifuel and older fleet of operations vehicles, is quantified as ranging between 50 and 55% of nitrogen oxides and 1500% of particulate; CO₂ savings amounted to 317 million tonnes. These indicators provide further representation of the capacity to reduce emissions levels, brought about by the fleet transformation project.

⁹⁵ Final Digitised Reduction Groups

Despite the increase in the perimeter of LNG plants from 68 in 2022 to 90 in 2023 for Medea, thanks to energy efficiency activities, the increase in electricity consumption in 2023 was limited (only +1.7%). This increase is due to the start-up of the new LNG plants, which are able to meet the highest safety and quality requirements with low electricity consumption.

Nepta's electricity consumption also decreased by 13.7% compared to the previous year. Continuing on from the work carried out in the last months of 2022, further pressure regulation actions were implemented in 2023 to optimise the operation of the pumping plants. In addition, further work was implemented to install pumps with brushless motors, which are state-of-the-art in terms of energy efficiency. A further significant reduction is linked to the reduction in the volumes emitted that was made possible thanks to the streamlining of the water network undertaken throughout the year.

NET ELECTRICITY CONSUMPTION FROM CIVIL USE

Electricity consumption from civil use decreased compared to 2022 (-3.6 TJ or -10.1%, driven by a reduction on the Italian scope of 8.4 TJ or -25.1% and the contribution on the Greek scope of 6.9 TJ compared to 2.1 TJ in 2022).

During 2023, in-depth consumption analyses were carried out on the main properties used by the Group in Italy and in Greece at the new headquarters in Athens. In Italy, this activity made it possible to identify actions to reduce this consumption, for example through a structured, national programme to replace lighting fixtures with LED technology, the optimal configuration, modulated over the course of the year, of the operating logics of lighting outside buildings, the reduction of so-called "baseload" consumption of building operations (e.g. mechanical ventilation, internal lighting, consumption of network equipment and air conditioning of rooms used to house them) and even greater system regulation accuracy.

On the basis of the fuel and electricity reduction measures applied, the total energy consumed per square metre for the operation of the Group's buildings in Italy in 2023 will be reduced by 29.6% (0.0457 GJ/m² in 2023 compared to 0.0649 GJ/m² in 2022).

All of the variations described above, with regard to the consumption of gas for civil and industrial use and those relating to automotive fuels, are found in similar variations in the relative greenhouse gas emissions shown in the following section; finally, emissions from the consumption of electricity for civil and industrial use remain extremely low, as a result of the reduction in consumption and the supply of electricity from certified renewable sources for almost all volumes in Italy and for some buildings in Greece.

GREENHOUSE GAS EMISSIONS

The Italgas Group's main greenhouse gas emission contribution is from fugitive emissions of natural gas from distribution networks, distributed gas preheating processes in the decompression systems at city gates, and the use of cars in the corporate fleet.

Italgas has recorded the following emissions:

- direct emissions (Scope 1): deriving from the civil consumption of gas, from industrial consumption of gas for preheating, from fuel consumptions for vehicles and grid losses ("fugitive emissions");
- indirect emissions (Scope 2): deriving from the consumption of electricity and heating purchased;
- other indirect emissions (Scope 3): arising from outsourced activities (supply chain), the production of fuels and energy purchased and consumed (not included in Scope 1 and 2) and business travel by Group personnel.

Scope 1 and Scope 2 CO₂eq emissions are presented below, which also take into account the Enaon Group's contribution for the entire year 2023, which for 2022 was integrated from 1 September 2022 (date of acquisition).

In 2023, total emissions amounted to 150.3 10³ tCO₂eq. The figure shows a slight deterioration compared to 2022, corresponding to 1.5%, which is due to the change in the GWP considered for methane (increase described in the note in the table)⁹⁶ and the consolidation period for Greece (for all of 2023). In fact, the reduction on the Italian scope (9.5 10³ tCO₂eq equal to -6.7%) comes along

⁹⁶ With the same GWP used for the year 2022, the total reduction would have been -3.9% and the reduction in fugitive emissions would have been -3.3%.

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with the contribution of the Greek scope (18.6 10³ tCO₂eq) linked to the consolidation of data on the entire year 2023.

For the Group as a whole, civil and industrial gas emissions as well as emissions from transport fuel consumption are in line with the consumption trend described in the section "Consumption".

Total Group

Scope 1 and Scope 2 ⁹⁷	u.m.	2021	2022 ⁹⁸	2023 ⁹⁹	Change % 2022-2023
Fugitive gas emissions ¹⁰⁰	10 ³ tCO ₂ eq	133.4	126.3	130.3	3.2
Emissions from gas consumption for industrial use	10 ³ tCO ₂ eq	18.1	13.9	12.6	-9.4
Emissions from gas consumption for civil use	10 ³ tCO ₂ eq	2.6	1.8	1.2	-33.3
Emissions from fuel consumption for vehicles ¹⁰¹	10 ³ tCO ₂ eq	6.4	5.6	5.6	-
Emissions from electricity consumption for industrial use	10 ³ tCO ₂ eq	0.0	0.0	0.1	0.1
Emissions from electricity consumption for civil use	10 ³ tCO ₂ eq	0.2	0.5	0.5	-
Emissions from thermal energy for civil use	10 ³ tCO ₂ eq	0.0	0.0	0.0	-
Total	10 ³ tCO ₂ eq	160.7	148.1	150.3	1.5%

Italy

Scope 1 and Scope 2 ¹⁰²	u.m.	2021	2022	2023 ¹⁰³	Change % 2022-2023
Fugitive gas emissions	10 ³ tCO ₂ eq	133.4	120.0	112.9	-5.9
Emissions from gas consumption for industrial use	10 ³ tCO ₂ eq	18.1	13.8	12.4	-10.1
Emissions from gas consumption for civil use	10 ³ tCO ₂ eq	2.6	1.8	1.1	-38.9
Emissions from fuel consumption for vehicles	10 ³ tCO ₂ eq	6.4	5.4	5.1	-5.6
Emissions from electricity consumption for industrial use	10 ³ tCO ₂ eq	0.0	0.0	0.0	-
Emissions from electricity consumption for civil use	10 ³ tCO ₂ eq	0.2	0.2	0.2	-
Emissions from thermal energy for civil use	10 ³ tCO ₂ eq	0.0	0.0	0.0	-
Total	10 ³ tCO ₂ eq	160.7	141.2	131.7	-6.7

The main components that contributed to this decrease are fugitive emissions (-5.9%) and emissions from gas consumption for industrial use (-10.1%), which in total make up about 95% of the total Scope 1 and Scope 2 emissions¹⁰⁴.

⁹⁷ Scope 2 market-based.

⁹⁸ Greek scope included from September 2022.

⁹⁹ The 2023 emission values for gas and heat consumption were calculated using the ISPRA 2023 Emission Factors – Table of national standard parameters: standard parameters – fuels/materials. In addition, the latest GWP of methane of 29.8 was used for fugitive emissions (source: Sixth Assessment Report from the IPCC AR6).

¹⁰⁰ Thanks to the collaboration with the Polytechnic University of Turin to estimate the fugitive emissions that cannot be quantified with the CRDS system, the values for 2023 also include the estimate of emissions from permeation, operational, due to maintenance on reduction units and for meter replacements (about 1.26% of total fugitive emissions).

¹⁰¹ As of 2022, it has been possible to subdivide the mileage for private and business use of cars so that only the consumption and emissions for business use would be taken into account. The reduction of private use kilometres resulted in the following reductions: -3.2 million km in 2022 and -1.7 in 2023; -8.6 TJ in 2022 and -3.2 in 2023; -0.45 10³ ton CO₂ in 2022 and -0.11 in 2023.

¹⁰² Scope 2 market-based.

¹⁰³ The 2023 emission values for gas and heat consumption were calculated using the ISPRA 2023 Emission Factors – Table of national standard parameters: standard parameters – fuels/materials. In addition, the latest GWP of methane of 29.8 was used for fugitive emissions (source: Sixth Assessment Report from the IPCC AR6).

¹⁰⁴ With the same GWP used for the year 2022, the total reduction would have been -11.6% and the reduction in fugitive emissions would have been -11.7%.

Greece

Scope 1 and Scope 2	u.m.	2022 September - December	2023 ¹⁰⁵
Fugitive gas emissions ¹⁰⁶	10 ³ tCO ₂ eq	6.3	17.4
Emissions from gas consumption for industrial use	10 ³ tCO ₂ eq	0.1	0.2
Emissions from gas consumption for civil use	10 ³ tCO ₂ eq	0.0	0.1
Emissions from fuel consumption for vehicles	10 ³ tCO ₂ eq	0.2	0.5
Emissions from electricity consumption for industrial use	10 ³ tCO ₂ eq	0.0	0.1
Emissions from electricity consumption for civil use	10 ³ tCO ₂ eq	0.3	0.3
Emissions from thermal energy for civil use	10 ³ tCO ₂ eq	0.0	0.0
Total	10 ³ tCO ₂ eq	6.9	18.6

FUGITIVE EMISSIONS

The Group's fugitive emissions increased slightly from the previous year (4.0 10³ tCO₂eq equal to +3.2%), mainly due to the updated GWP of methane, which rose from 28 to 29.8. In itself, the increase in GWP could have led to a 6.4% increase in emissions compared to the same calculation using the previous GWP of 28 (130.3 versus 122.3 10³ tCO₂eq) but thanks to the reduction in emissions on the Italian scope of 7.1 10³ tCO₂eq (equal to -5.9%), this increase was largely mitigated. Finally, there was an increase in emissions from the Greek scope of 17.4 10³ tCO₂eq (compared to 6.3 10³ tCO₂eq in 2022), which was substantially due to the different time period considered for counting emissions (4 months for 2022, as the Company was consolidated from September 2022, and 12 months in 2023).

For the Italian scope, the reduction of fugitive emissions acquires even greater relevance since some portions of Italgas Reti's network were inspected for planned gas leakage searches more than once during the year. In Italy, significant efforts to reduce fugitive emissions led to an increase in the network investigated to 87,118 km in 2023 (+13.9% compared to 76,491 km investigated in 2022). With regard to the Greek scope, in addition to inspecting the entire network for the first time with the CRDS technology, some portions of the network were inspected twice during the year; the network kilometres investigated are 9,094 and the parameter of emissions per kilometre inspected is 99.0 Sm³/km.

Looking more specifically at the KPIs characteristic of the process, there was a 22.6% decrease in the ratio of leaked gas to kilometres of network investigated for the Italian scope, the value of which fell from 90.5 Sm³/km in 2022 to 70.0 Sm³/km in 2023. The Group has adopted a predictive network maintenance model that, by combining the physical characteristics of networks (e.g. age, material and pressure) with the outcome of the processing of the data obtained in the field by the intensive leak detection programme, will identify areas with a high opportunity for replacement with a view to predictive management and maintenance.

The prompt inspection, localisation and repair of leaks also produced an important result in terms of savings of fugitive emissions into the atmosphere.

A number of important partnerships and initiatives were confirmed in the year 2023, with a view to continuous improvement and development of fugitive emission research and evaluation:

- The continued collaboration with the Polytechnic University of Turin to estimate fugitive emissions that cannot be quantified using the CRDS system, which are typically operational emissions or emissions related to the permeability of certain materials, which led to the refinement of certain calculation methodologies and the extension of these to the scope of Greek companies.

¹⁰⁵ The 2023 emission values for gas and heat consumption were calculated using the ISPRA 2023 Emission Factors – Table of national standard parameters: standard parameters – fuels/materials. In addition, the latest GWP of methane of 29.8 was used (source: Sixth Assessment Report from the IPCC AR6).

¹⁰⁶ Thanks to the collaboration for fugitive emissions with the Polytechnic University of Turin to estimate the fugitive emissions that cannot be quantified with the CRDS system, the values for 2023 also include the estimate of emissions from permeation, operational, due to maintenance on reduction units and for meter replacements (about 0.97% of total fugitive emissions).

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- The evolution of the Smart Maintenance platform GIS4WARD with the new model developed by the Digital Factory.
- The revamping of the Asti laboratory with measuring instruments and flow meters that make it possible to field-test new technologies and analyse data for the reconciliation of emission measurements as required by OGMP.

In 2023, the work carried out by the Italgas Group, thanks also to the partnership with the Turin Polytechnic, made it possible to achieve the prestigious “Gold Standard” in the OGMP 2.0 voluntary partnership (see BOX OIL AND GAS METHANE PARTNERSHIP INITIATIVE – OGMP 2.0).

More details on the specific KPIs for fugitive emissions can be found in the “NFS Annexes” section.

SCOPE 3 EMISSIONS

As of 2022, the Group has adopted a new calculation model for supply chain-related Scope 3 emissions. It was possible to move from a spend-based approach to a more specific approach using emission factors requested directly from suppliers (more details in the Box “Scope 3 and the decarbonisation process”). The 2021 and 2022 Scope 3 emissions - Supply-chain emissions were recalculated using the new methodology.

Scope 3 - Supply-chain emissions in 2023 are 129.0 10³ tonnes CO₂, down by 6.2% compared to the previous year¹⁰⁷.

The plan for achieving the supply chain emission reduction targets includes the involvement of the supply chain, including through recruitment and training, and the inclusion of reward criteria in supplier tenders, according to the level of adoption of best practices with regard to the reduction of greenhouse gas emissions.

Scope 3 emissions for each category	u.m.	2021 Italy	2022 Italy	2023 Italy
Capital goods	10 ³ tCO ₂	94.5	88.2	88.4
Purchased goods and services	10 ³ tCO ₂	47.3	43.2	30.3
Upstream transportation and distribution	10 ³ tCO ₂	1.4	1.5	0.8
Waste generated in operations	10 ³ tCO ₂	3.6	4.0	9.1
Upstream leased assets	10 ³ tCO ₂	0.4	0.5	0.4
Total Scope 3 – Supply chain	10 ³ tCO ₂	147.2	137.5	129.0
Fuel-and-energy-related activities (not included in Scope 1 or 2)	10 ³ tCO ₂	4.1	3.3	3.8
Business travel	10 ³ tCO ₂	0.8	1.2	1.6
Total Scope 3	10 ³ tCO ₂	152.1	142.0	134.4

The Group also started specific training and involvement activities with Enaon's first suppliers in Greece.¹⁰⁸

¹⁰⁷ Data obtained by applying emission factors specific for Italy, from database CEDA v. 4.01 (spend-based methodology) and those directly obtained by suppliers (41% of purchases).

¹⁰⁸ Data obtained by applying specific emission factors specific for Greece, from database CEDA v. 4.01 (spend-based methodology). Consolidated value of whole Group of Scope 3 – supply chain equals 178.4 10³tCO₂ (Capital goods: 122.0; Purchased goods and services: 45.4; Upstream transportation and distribution: 0.9; Waste generated in operations: 9.2; Upstream leased assets: 0.9). Considering also categories “Fuel-and-energy-related activities (not included in Scope 1 or 2)”: 4.2; and “Business travel”: 1.8, total Scope 3 is 184.4 10³tCO₂.

Scope 3 emissions for each category	u.m.	2023 Greece
Capital goods	10 ³ tCO ₂	33.6
Purchased goods and services	10 ³ tCO ₂	15.1
Upstream transportation and distribution	10 ³ tCO ₂	0.1
Waste generated in operations	10 ³ tCO ₂	0.1
Upstream leased assets	10 ³ tCO ₂	0.5
Totale Scope 3 - Supply chain	10 ³ tCO ₂	49.4
Fuel-and-energy-related activities (not included in Scope 1 or 2)	10 ³ tCO ₂	0.4
Business travel	10 ³ tCO ₂	0.2
Totale Scope 3	10 ³ tCO ₂	50.0

ESCO GEOSIDE'S ACTIVITIES

Geoside is the ESCO of the Italgas Group. Among other activities, it proposes and performs energy efficiency interventions for its public and private customers in a residential and industrial context.

Specifically, the EPCs – Energy Performance Contracts – in place require that the savings generated following interventions be guaranteed and suitably measured.

In the public sector, the main tool used is funding via third parties envisaged by Italian Legislative Decree 115/2008, often combined with the project financing, governed by the Tenders Code (Italian Legislative Decree 50/2016). The proposals are characterised by the assumption of risk, against the standards offered, at the full expense of the proposing party and the contracts provide for an economic rebalancing mechanism to the benefit of the Administration, if the minimum objectives are not successfully guaranteed. The remuneration mainly derives from the saving levels achieved, which must be able to generate the necessary cash flows to repay the investments. The EPCs predominantly concern interventions:

- on the air conditioning systems, generally powered by methane gas;
- on the public lighting systems, powered by electricity;
- to construct photovoltaic plants, which reduce withdrawals of electricity from the network.

In 2023, these interventions made it possible to achieve the following results, calculated using historical consumption figures:

Energy carrier	u.m.	2022 Saving	2022 Saving (TJ)	Saving 2022 (tCO ₂ eq)	2023 Saving	2023 Saving (TJ)	Saving 2023 (tCO ₂ eq)
Electricity	MWh	9,326.0	33.6	2.3	9,629.5	34.6	4.4
Methane gas	Sm ³	200,348	7.1	0.4	243,789	8.6	0.5

FV Plants	u.m.	2022	Saving 2022 (tCO ₂ eq)	2023	Saving 2023 (tCO ₂ eq)
EPC plant production	MWh	2,309	1,055.6	1,990	909.7

PHOTOVOLTAIC

Through its subsidiary company Geoside, the Group operates 18 photovoltaic plants, which it took over after acquiring a subsidiary of Toscana Energia (Toscana Energia Green, now merged into Geoside). In 2023, production amounted to 7,893,669 kWh. Below is the electricity produced and the electricity sold to the GSE (Gestore Servizi Energetici), with the related emissions avoided by third parties that use it.

Italy

Photovoltaic	u.m.	2021	2022	2023
Production from PV plants (kWh)	kWh	9,420,416	8,640,476	7,893,699
Dedicated collection by GSE (kWh)	kWh	9,284,818	7,921,896	7,223,995
Emissions avoided for self-produced energy, transferred to the GSE and used by third parties (tCO ₂ eq)	tCO ₂ eq	4,245	3,621	3,302

WASTE¹⁰⁹

With regard to waste generated directly by the Group and waste generated by its contractors, the Company assesses environmental aspects and impacts by analysing, as required by the environmental management system, the processes and activities that generate or could generate waste.

Periodically, processes and activities are analysed to prevent and evaluate the generation of waste. In addition, in order to place waste in more effective recovery and reuse circuits, transporters and destination plants that manage the waste produced by the organisation in a more sustainable manner are selected.

Data collection, monitoring and analysis are carried out monthly through the Atlantide application, which for some years now has replaced the traditional paper Loading and Unloading Register.

Since 2023, waste produced by contractors on behalf of Italgas has also been collected through a dedicated application, which allows it to be analysed and monitored on a monthly basis. Furthermore, to raise awareness and train contractors, the Italgas Group's sustainability objectives have been made explicit in the contractual clauses.

In 2023, waste from the Group's production activities in Italy amounted to 358.5 tonnes; the total value of waste sent for recovery or disposal amounted to 341.8 tonnes, (of which 94.7% was non-hazardous)¹¹⁰. This type of waste is mainly made up of mechanical meters, which have been subject to a huge replacement campaign. 341.3 tonnes or 99.9% of the waste produced by the Group were managed for recovery; 0.5 tonnes of waste were managed for disposal.

For Enaon, waste from production activities amounted to 39.4 tonnes; the total value of waste sent for recovery and/or disposal also amounted to 39.4 tonnes, of which 94.5% was non-hazardous. 36.9 tonnes of the waste from Enaon (93.8%) was managed for recovery; thus, 2.5 tonnes of waste was managed for disposal.

In 2023, waste produced by the activities of contractors on behalf of Italgas in Italy amounted to 501,269 tonnes. As a result of increasing engagement activities, 94.4% of the waste produced by contractors was managed for recovery.

The monitoring of waste-generating processes/activities, in accordance with local regulations, was extended to the Greek company and to the respective contractors in order to guarantee the continuity of the commitment in the area of sustainability; the waste produced and reported by the contractors to the Greek company amounted to 603,101 tonnes, 100% of which was managed for recovery.

Group figures, which also take into account Enaon's contribution for the entire year of 2023, are presented below. For 2022, on the other hand, the figures refer to the Italian scope only¹¹¹.

¹⁰⁹ The waste management strategy is part of the Group's broader sustainability strategy, through specific KPIs of the Sustainable Value Creation Plan including a commitment to increase the percentage of the Group's and contractors' waste going to recovery.

¹¹⁰ Value including inventories from 2022.

¹¹¹ During the 2022 consolidation period (September-December), the Greek companies produced 9.4 tonnes of waste, 99% of which was non-hazardous. In addition, during the year, the Greek companies managed 5.6 tonnes of waste, of which 4.6 tonnes was managed for disposal and 1.0 tonne sent for recycling/recovery

Standard GRI 306-4 Waste diverted from disposal

Waste by type and disposal method	u.m.	2021 Italy			2022 Italy			2023 Total Group		
		Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Recovery/ Recycling	t	12.04	329.18	341.22	7.20	234.22	241.42	18.00	360.40	378.40
<i>Of which ferrous material</i>	t	0.00	287.5	287.5	0.00	141.30	141.30	0.00	110.40	110.40
<i>of which other material</i>	t	12.04	41.69	53.73	7.20	92.92	100.12	18.00	250.0	268.00

Standard GRI 306-5 Waste directed to disposal

Waste by type and disposal method	u.m.	2021 Italy		2022 Italy		2023 Total Group	
		Hazardous	Non-hazardous	Hazardous	Non-hazardous	Hazardous	Non-hazardous
Incineration	t	0	0.39	0.02	1.35	0	0
<i>Of which ferrous material</i>	t	0	0	0	0	0	0
<i>of which other material</i>	t	0	0.39	0.02	1.35	0	0
Waste sent directly to landfill	t	0	0	0	0	0	0.33
<i>Of which ferrous material</i>	t	0	0	0	0	0	0
<i>of which other material</i>	t	0	0	0	0	0	0.33
Other disposal plant	t	1.56	9.68	1.16	3.43	2.4	0.1
<i>Of which ferrous material</i>	t	0	0	0	0	2	0
<i>of which other material</i>	t	1.56	9.68	1.16	3.43	0.4	0.4
Total	t	1.56	10.08	1.18	4.78	2.4	0.4

Standard GRI 306-3 Waste generated

Waste by type	u.m.	2021 Italy	2022 Italy	2023 Total Group
Non-hazardous	t	318.4	159.0	378.3
Hazardous	t	16.07	3.4	19.6

REMEDIATION

Italgas carries out environmental remediation and redevelopment; except in special cases, the sites to be reclaimed are former gas works, where industrial activities such as distilling gas from coal, cracking or reforming of light oil derivatives to produce the city's gas were carried out in the past.

During 2023, Italgas Reti continued its design, safety, characterisation, monitoring, remediation and environmental restoration activities on a total of 27 sites, in accordance with national environmental regulations for the remediation of polluted sites, represented by Legislative Decree no. 152/06 "Environmental Regulations".

The sites in which an environmental procedure is operative under Legislative Decree no. 152/06 Part Four Title V "Reclamation of contaminated sites" are distributed throughout the national territory¹¹². From an administrative point of view, only the "via Brin" site of Naples comes under the competence of the Ministry of the Environment and Energy Security, as it falls within the scope of the Site of National Interest of Eastern Naples, whilst the remaining sites come under the competence of Regional or Municipal authorities. According to the "state of business", the 27 sites

¹¹² 4 in Piedmont, 7 in Liguria, 8 in Veneto, 1 in Toscana, 3 in Lazio, 2 in Campania, 1 in Molise, 1 in Calabria.

1 DIRECTORS' REPORT

can be grouped together into four clusters:

- 5 have active construction sites and/or plants with or without groundwater extraction plants in operation – Venice Mestre v. Altobello – Naples v. Brin – Venice Santa Marta – Cairo Montenotte Terreni C.so Stalingrado – Turin C.so Unione Sovietica;
- 10 have active safety or groundwater reclamation systems – Torino C.so Regina Margherita Area University – Civitavecchia – Venice San Francesco Area IGR – Castellammare di Stabia – Ventimiglia – Campobasso¹¹³ – Cairo Montenotte Parco 3 – Venice Island of Murano – Legnago – Lucca;
- 4 have completed operational work sites and/or active monitoring - Bassano del Grappa-Torino v. Trofarello - Venice San Francesco former Veritas area -Torino Basse di Stura;
- 8 are in planning or close to start-up - Cairo Montenotte Parks 1 and 2 - Catanzaro - Chiavari Loc. Caparana - Ciampino - Este - Rapallo - Rome - Savona.

WATER

The Italgas production process does not envisage the use of water for industrial uses, with the exception of gas preheating systems; the quantities of water used are necessary for topping up the systems inside the cabins used to reduce the pressure of the gas taken from the high-pressure gas pipelines, without the presence of industrial drains.

For 2023 as part of the reclamation work, 336,335 cubic metres of water were taken from the contaminated groundwater; these were treated to take the concentrations of pollutants back to the limits permitted for discharge in public drains, in compliance with current legislation and authorisations.

The Group companies' environmental analyses, prepared in accordance with standard UNI EN ISO 14001, showed that use of water resources is not a significant environmental aspect. However, the safeguarding of resources and their rational use is envisaged by the HSEQ Policy and this is why the Group is committed to reducing water consumption. The withdrawal of fresh water from the aqueduct provides for use for hygiene-sanitary purposes in the changing rooms, offices and for the fire-fighting system. As regard civil drains, most wastewater is conveyed, considering its nature, to the drains without any treatment.

This differs for Nepta, a company that for five Municipalities in Campania is responsible for collecting the water, making it drinkable and distributing it to citizens, guaranteeing quality standards and the continuity and regularity of the service.

The Group figures are presented below, which also take into account Enaon's contribution for the full year of 2023, which for 2022 had been integrated for four months, starting on 1 September 2022 (date of acquisition).

Standard GRI 303-3 Water withdrawals

Water withdrawals	u.m.	2021	2022 ¹¹⁴	2023
Quarry water, collected from quarries	10 ⁶ lt	0	0	0
Sea water	10 ⁶ lt	0	0	0
Rainwater collected	10 ⁶ lt	0	0	0
Water withdrawn from the aqueduct (municipal drinking water)	10 ⁶ lt	75.77	68.81	136.91
Surface water	10 ⁶ lt	0	0	0
Underground water	10 ⁶ lt	0.26	0.26	0.26
External wastewater	10 ⁶ lt	0	0	0
Total water withdrawn	10 ⁶ lt	76.03	69.07	137.17

¹¹³ Non-automated Safety Interventions.

¹¹⁴ Greek scope included from September 2022..

Standard GRI 303-4 Water discharge

Water discharge	u.m.	2021	2022 ¹¹⁵	2023
Discharged in underground water ¹¹⁶	10 ⁶ lt	0	0	0
Discharge to sewers	10 ⁶ lt	74.19	68.18	136.60
Discharged in seawater	10 ⁶ lt	0	0	0
Discharged in surface water	10 ⁶ lt	1.56	0.48	0.25
Benefit/other use	10 ⁶ lt	0.28	0	0.32
Sent to other treatment plants	10 ⁶ lt	0	0.41	0
Total discharges	10 ⁶ lt	76.03	69.07	137.17

Biodiversity

Italgas mainly operates in the urban environment (from 'city gates' to meters): about 95% of the Group's network kilometres are installed in an urban or street context. Furthermore, Italgas, as a gas distributor, is not a mining company and does not produce basic materials. In carrying out its activities, although it is not comparable to a mining company and does not produce basic materials, the Group is committed to assessing environmental protection issues and to responsibly managing the significant environmental impacts associated with its activities, pursuing the protection and care of the natural environment, avoiding deforestation, by ensuring the restoration and maintaining the balance of the ecosystem and biodiversity, based on the principles of pollution prevention and emission reduction and in line with international standards, pursuing the sustainable management of natural resources and the efficient use of energy required to carry out its business activities. As the concession holder of the gas distribution service, and in line with the principles of sustainable development, Italgas operates by following the guidelines provided by the Municipalities through work authorisations. In particular, in activities involving excavations, Italgas complies with specific environmental requirements and carries out work to restore the prior ecological situation. At each stage of this process, Italgas employs qualified staff and organises training courses aimed at increasing awareness of environmental issues. As far as Greek companies are concerned, the Group contributes to the preservation of local biodiversity through restoration and development projects of natural parks that are located within urban areas: in 2023, 10 green spaces were upgraded in the urban areas of Thessaloniki, Larissa and Karditsa.

¹¹⁵ Greek scope included from September 2022.

¹¹⁶ Please note that water is drained in the soil after treatment.

8.2 ITALGAS FOR THE FUTURE OF PEOPLE

SDGs



GRI

2-7	401	402	403
403	403	403	

● NFS

People are our most valuable asset, which is why Italgas is actively committed, on a day-to-day basis, to improving the quality of life of its citizens, through the provision of a safe and reliable service, including for its employees and collaborators, through the promotion of rigorous policies for health, safety and wellbeing, protecting human rights, and valuing and supporting diversity, inclusion and equal opportunities.

Italgas works continuously to increase the country's energy security and help reduce energy dependence from abroad. We continue to develop digital skills within the Group and to promote and disseminate them within the territories in which we operate.

SPECIFIC MATERIAL TOPICS

- Safety of networks, assets and people
- Network development
- Quality of service and customer satisfaction
- Cybersecurity
- Protection, inclusion, enhancement and well-being of Human Resources
- Corporate identity (founding corporate values, historical legacy)
- Respect for human rights

TRANSVERSAL MATERIAL TOPICS

- Compliance, transparency and fight against corruption
- Responsible governance and risk management
- Economic value generation and ESG finance

MEDIUM-TO-LONG-TERM IMPACTS OF OUR ACTIVITIES



NATURAL CAPITAL

- Decarbonisation of the Country in accordance EU goals



FINANCIAL CAPITAL

- Safe and efficient access to energy for all
- Energy security of the Country



MANUFACTURED CAPITAL

- Safe and efficient access to energy for all
- Energy security of the Country



INTELLECTUAL CAPITAL

- Energy security of the Country
- Energy and digital literacy of the citizens in the service of the energy transition



RELATIONSHIP CAPITAL

- Safe and efficient access to energy for all
- Decarbonisation of the Country in accordance EU goals
- Energy and digital literacy of the citizens in the service of the energy transition



WE IMPROVE THE QUALITY OF LIFE AND ENSURE THE SAFETY OF EMPLOYEES, CITIZENS AND THE NATIONAL ENERGY SYSTEM

ACTIONS	TARGET ¹¹⁷	2023 PERFORMANCE
<p>Providing the citizens with high quality, dependable and safe services</p>	<ul style="list-style-type: none"> 90% compliance with the 10-day and 100% compliance with the 20-day time limit to complete procedures within Italgas' remit, from request for a quotation to activation of the supply to the end-customer by 2028¹¹⁸ More than 100% of the networks undergoing annual inspections under the gas dispersion search programme (target value for each year), and 200% by 2028¹¹⁹ 98% of interventions with Emergency Response arrival at site within 60 minutes (target value for each year)¹²⁰ 	<p>25% and 90% 10-day compliance and of 20-day compliance</p> <p>120% of networks subjected to annual planned inspection for gas leaks</p> <p>99% of interventions carried out on site, with emergency intervention performed within 60 minutes</p>
<p>Monitoring of aspects of organisational security necessary to maintaining commensurate levels of cybersecurity</p>	<ul style="list-style-type: none"> Annual maintenance for all Italgas Group companies of the "Advanced" level of Bitsight's Cyber Security index; for new companies consolidated by the Group, achievement of the same level within 24 months after the acquisition 50,000 training hours for employees on cybersecurity by 2029 	<p>"Advanced" level maintained for all Italian¹²¹ companies and achieved during the year by Greek companies</p> <p>Over 4,000 hours of training delivered on cybersecurity</p>

¹¹⁷ The targets, approved by the BoD in June 2023, refer to the perimeter of the Group companies consolidated using the line-by-line method as of June 2023. They do not include the water service companies acquired in 2023 and which subsequently merged into Nepta, or any future changes as a result of ATEM tenders and M&A transactions.

¹¹⁸ Target applies solely to interventions to be performed by the distributor that do not call for network extensions. Target valid only for Italian perimeter.

¹¹⁹ Also taking into account regulatory performance targets of both Italy (ARERA target: the distributor company is required to comply with the service obligations undertaken in terms of inspection frequency, corresponding to 100% in the 3 mobile years for high and medium pressure networks and 100% in the 4 mobile years for low pressure networks) and Greece (RAE target: 2-4 times per year for ductile networks in areas with high population density, while regulatory targets for other kinds of network vary from once a year to once every 4 years, depending on network characteristics).

¹²⁰ ARERA targets: > 90%; RAE target: >90% within 120 minutes, without exceeding the 240 minutes in any case.

¹²¹ The following companies: Italgas S.p.A., Italgas Reti, Toscana Energia, Bludigit, Geoside, Medea and Nepta.



WE IMPROVE THE QUALITY OF LIFE AND ENSURE THE SAFETY OF EMPLOYEES, CITIZENS AND THE NATIONAL ENERGY SYSTEM

ACTIONS	TARGET	2023 PERFORMANCE
Promoting the health, safety and wellbeing of employees and collaborators	<ul style="list-style-type: none"> ▪ Maintain the work-related accident rate¹²² of employees and contract workers below 2 (target value for each year) ▪ >90% of employees benefiting from corporate welfare services by 2028¹²³ ▪ >85% net promoter score for employee engagement (degree of satisfaction with working for the Group) by 2028 	<p>Employee and contractor accident frequency index: 1.20</p> <p>70% of employees using corporate welfare services</p> <p>72% net promoter score for employee engagement</p>
Promoting the diversification of national energy supplies	<ul style="list-style-type: none"> ▪ 400 biomethane production plants, built by third parties, connected to the distribution network by 2029 ▪ 200 tons of green hydrogen produced and distributed in the Group's P2G pilot plant in Sardinia by 2028, demonstrating the validity of the solution for industrial and residential transport and use 	<p>3 biomethane plants connected as at 31 December 2023, 2 of which during 2023, with an expected production of about 2.6 million Sm³</p> <p>Please refer to the section "The integration of green gases in the networks"</p>



WE DEVELOP THE SKILLS OF THE FUTURE

ACTIONS	TARGET	2023 PERFORMANCE
Promoting the dissemination of digital skills for the energy sector outside the organization	<ul style="list-style-type: none"> ▪ 30,000 persons engaged in external training activities dedicated to the energy transition by 2029 	<p>10,218 people involved in external training activities</p>
Developing digital skills and repositioning skills towards higher value-added activities	<ul style="list-style-type: none"> ▪ 45 hours of training per year per employee, with a focus on digital training, by 2029 ▪ Implementation of Academy training activity with a co-design approach with top management, internal faculty and knowledge expert by 2023. Training activities also available to third parties by 2024 	<p>40 hours of training per employee per year</p> <p>Extension of the Academy's teaching staff to 78; for further details see the Wetrain project on section 8.2.3</p>

¹²² Number of accidents recorded/million hours worked.

¹²³ Target currently based only on the Italian perimeter.



WE VALUE DIVERSITY AND SUPPORT EQUAL OPPORTUNITIES AND INCLUSION

ACTIONS	TARGET	2023 PERFORMANCE
<p>Promoting female leadership and ensuring a workplace that offers equal opportunities, also in terms of remuneration</p>	<ul style="list-style-type: none"> 27% of women in positions of responsibility by 2028 Gender Pay gap between +/- 3% by 2029¹²⁴ Achievement of UNI/PdR 125:2022 certification for gender equality for Italgas S.p.A. by 2023, with the ambition of maintaining or increasing the certification score in subsequent years. Inclusion of another Group company in the certification perimeter by 2024 Annual implementation of projects and involvement of employees on diversity and inclusion issues 	<p>28.8% women in positions of responsibility</p> <p>9.8% Gender Pay gap</p> <p>UNI/PdR125:2022 certification for gender equality obtained for Italgas S.p.A.</p> <p>The Diversity and Inclusion project continued in 2023. More details in the Section 8.2.3 "Diversity"</p>
<p>Investing on the future of women, also by supporting the dissemination of STEM skills among the female population</p>	<ul style="list-style-type: none"> Organisation of annual recruiting activities dedicated to women who have undertaken studies in STEM fields 	<p>Recruitment projects dedicated to women who have undertaken studies in STEM continued. For more information see section 8.2.3</p>
<p>Monitoring respect for human rights</p>	<ul style="list-style-type: none"> Annual review of the due diligence on the protection of human rights, applied to the Group's operational activities and suppliers 	<p>The annual review of the due diligence process on human rights protection was carried out, including undertaking several national and international collaborative pathways and working tables on the issue</p>

¹²⁴ Average ratio of female to male basic pay per organisational cluster. For further details on the methodology, see the Remuneration Report: <https://www.italgas.it/wp-content/uploads/sites/2/2024/03/Remuneration-Report-2024-and-Compensation-Paid-2023.pdf>

8.2.1 IMPROVING THE QUALITY OF LIFE AND ENSURING THE SAFETY OF CITIZENS

For Italgas, quality of service goes well beyond simple business objectives: continuity, security, accessibility, emergency intervention and comprehensive efficiency of the system are a real assumption of responsibility in regard to the territories served and the end customers.

NETWORK SECURITY

The security of the service provided to end customers is the main cornerstone of Italgas' business and mission: starting from the careful choice of routes for its infrastructures, to use of increasingly innovative and sustainable materials, to the construction of networks and lastly through specific network operation and maintenance plans, thanks to which the quality and performance expected.

In order to improve the quality and security performance of the service, as well as to increase the efficiency of the distribution system, Italgas continues to invest significantly in the digitisation of its network and process infrastructures, with unique technology and artificial intelligence.

SYSTEMATIC SITE CONTROL

In order to carry out a systematic and real-time control of the various operational phases involved in the implementation of a network or a simple utility connection, Italgas has conceived and developed in its Digital Factory the WorkOnSite application that, supported by artificial intelligence systems, makes it possible to:

- acquire, at each operative phase the pertinent photographic findings, sending them in real time to a site control centre monitored by technicians who have been specifically trained on the control;
- validate the consistency and conformity of each photo, by means of artificial intelligence systems, with current legislative provisions and the tender specifications;
- establish a permanent repository of quality and conformity of all works realised.

The WorkOnSite application is used by all contractors.

MULTI-DUCTS FOR OPTIC FIBRE AND RFID (RADIO FREQUENCY IDENTIFICATION) MARKERS

The new natural gas distribution networks have been equipped with multi-ducts and related accessories prepared for the insertion of optic fibre cables for the mass transmission of data recorded by the Digital Reduction Units, by the network and smart meters installed at the re-delivery points to users and by the sensors installed at the terminal points of the network. The multi-ducts are positioned at the same time as the pipes and within the same excavation. The new distribution networks are also equipped with Rfid markers (markers with passive, battery-free antennae containing an electronic chip, which can be identified by means of common radio-frequency locators), which are also placed inside the excavation in order to allow the traceability and localisation of the pipelines directly from the road surface without the need for invasive underground work and consequent interference with the road network.

SMART MAINTENANCE

Since 2022, Italgas has adopted GIS4WARD, an application developed as a team by the Asset Performance & Technology Departments of Italgas and Bludigit in partnership with the Polytechnic University of Turin, which will project the Group towards increasingly smarter and more predictive network maintenance.

The technology is based on a virtual ecosystem that, through the creation of "behavioural maps" of pipelines, allows targeted investments to be planned and further reduce network leakage and the Company's carbon footprint. In fact, the maps combine data collected from digital networks and surveys carried out with Picarro's state-of-the-art CRDS technology.

NETWORK MONITORING

Every year, the Italgas Group carries out extensive monitoring of its infrastructure to ensure the efficiency and safety of its networks.

With regard to the verification of "electrical protection" conditions of the underground steel pipes, the cathodic protection remote monitoring system was again used by Italgas Reti in 2023 at 12,686 significant points on the network. Approximately 33,000 cathodic protection measurements were also carried out, with a qualified operator, on non-remote controlled points.

An additional preventive control on the reliability of the distribution system, an important source of information for the choice of interventions to be carried out, was the search for gas leaks into the atmosphere. In 2023, in compliance with the provisions of the Authority Resolution no. 569/19/R/gas, 120% of the network managed was subjected to scheduled searches for leaks, recording quality standards that well exceeded those established by the Authority. In the second part of the year, the inspection of the network was carried out following a Super Emitter Programme, with the aim of identifying the "largest" fugitive emissions, seeking to prioritise the emissions that make a greater contribution than the total annual fugitive emissions of the managed network. To carry out this activity, the Group adopts the CRDS Picarro leak detection methodology, described in section 8.1.1.

At the gas delivery points - city gate - gas in transit is metered, odourised and pressure reduced and the transit gas pressure is reduced, set to be transported through to the re-delivery points at the individual end customers' premises (domestic or industrial consumers) where the gas is once again measured.

In order to improve the quality of the service provided and guarantee the safety of citizens, a process is underway to digitise this activity by installing micro gas chromatographs at the reduction plants deemed significant. This equipment makes it possible to monitor the concentration of odourant in the network remotely and in real time. As of December 2023, 272 micro gas chromatographs have been installed along the distribution network. In addition, in 2023, in compliance with ARERA provisions, 11,168 checks were carried out on the degree of odourisation at significant points on the network, corresponding to more than three times the annual requirement laid down by standards, using gas chromatographic laboratory analysis (ACCREDIA certificate).

At 31 December 2023, Italgas Reti SpA and Toscana Energia managed respectively 815 and 68 Reduction and Measurement Collection Plants (IPRM); all the IPRMs managed are equipped with a remote control system to guarantee prompt intervention both in the event of an anomaly and of limits or interruptions to the regional service, as well as a continuous smart metering system that measures the gas entering the network.

To reduce the gas pressure before delivering to individual end customers, Italgas Reti S.p.A. operates 994 Intermediate Reduction Plants (IRI), 10231 Final Reduction Units (GRF) and 7723 Industrial Reduction Units (GRI) at the end customers gas re-delivery point. Added to these are the 222 IRI, 945 GRF and 701 GRI operated by Toscana Energia.

The technical-commercial operations carried out with end customers, conducted according to specific quality standards set by ARERA, concern: estimation services, works execution, the activation and deactivation of supply, respect of appointments, arrival times *in situ* for emergency reports and, finally, compliance with all technical standards relative to the installation and maintenance of plants making up the distribution and metering network.

CITIZEN AND CUSTOMER SUPPORT SERVICES IN ITALY

As a gas distributor, Italgas is committed to guaranteeing a safe and quality service to all citizens reached by the network it serves, in compliance with standard ISO 9001. Citizen support, for all Municipalities where Italgas Group distribution companies operate, is guaranteed through two freephone numbers:

Gas emergency intervention freephone number - 800 900 999

A 24-hour, 7-day-a-week, single emergency number is available throughout Italy and can be found on the gas bills of sales companies and on the Italgas and Group company websites. The service is subject to control by the ARERA Authority. It provides immediate guidance on how to deal with situations such as gas shortages, flow irregularities or leaks by putting citizens in direct contact

with an operator from the Integrated Supervision Centre and activating technical units for checks and interventions.

Contact Center freephone number – 800 915 150

This number is available on weekdays from 8 a.m. to 8 p.m. It is the same number throughout Italy and is prominently displayed on the Italgas website. The service is not subject to any obligations imposed by the Regulatory Authority ARERA. It provides technical and commercial information on scheduled meter and display replacement, appointment management, reporting of inefficiencies and complaints, metrological verification, estimates and documentation on plant safety, problems and support for registration on the portal. It is managed through IVR (Interactive Voice Response) and by operators based in Italy. Telephone and e-mail enquiries are handled through Salesforce and Genesys applications.

Online help

Italgas offers customers immediate access to information via the “Help Online” web portal (faq.italgas.it). The portal includes information on deactivation, activation, reactivation, plant safety forms and the “ClickToGas” digital quotation service. Users can quickly find answers to frequently asked questions, send requests and feedback on the clarity and usefulness of the content.

The portal includes information on deactivation, activation, reactivation, plant safety forms and the “ClickToGas” digital quotation service. In 2023, the portal was enhanced with new content to offer more comprehensive support to users.

Customer portal

“MyItalgas” customer portal is a unique touch point dedicated to end customers and offers an even more effective service and experience through its digital channel. In addition to the functions for consulting utility data (re-delivery point, meter serial number, etc.), verification of readings and consumptions, monitoring of cases and appointments, requests for quotations for works, submission of requests for information or complaints, MyItalgas also integrates the functionality for managing document assessment for reactivations, which could previously be managed only through the Accertatemi Online portal.

In addition to MyItalgas, the customer portals MyMedea, MyToscanaEnergia and MySantangelo are also active. In order to continue to improve the service, updates and information integration continued across the various portals in 2023.

ClickToGas

For some time now, Italgas has been implementing a digital inspection method to improve the end-customer experience, to accelerate the time it takes to issue estimates and, at the same time, to make the entire process more sustainable.

ClickToGas As A Service includes the following services:

- ClickToGas Selfy: to receive a faster estimate thanks to a digital inspection. Depending on the details of the user’s request, the digital inspection can take place in either Self or Virtual mode.
- ClickToGas Doc: to upload and sign the necessary work documents online. The user will be able to monitor their own activity and check the outcome of the verification.
- ClickToGas All-In-One: to obtain gas connection and activation in one single appointment. The user can request the ClickToGas All-In-One service from the Sales Company for estimates for new, modification or restoration of the installation.

In addition to guaranteeing a quicker and more effective estimation service, the service will, as of 2021, help to reduce staff movements across the territory, further protecting the safety of end customers, employees and suppliers. Each use of ClickToGas services corresponds to an average of 45 car kilometres saved by Italgas technicians when carrying out the inspection and 5.7 kg of CO₂ is saved for each digital estimate carried out.

Click To Be Green

Italgas launched Click To Be Green in 2022, a sustainability initiative dedicated to safeguarding the environment.

In cooperation with sales companies, the company is creating Urban Public Green Areas, planting trees according to the CO₂ savings generated by ClickToGas services. By means of an Eco Counter on the Italgas website¹²⁵ and on the portals dedicated to sales companies (GaS2Be) and end customers (MylItalgas), the environmental benefits of digital services are monitored.

The use of ClickToGas and public green initiatives led to a doubling of the environmental benefit in 2023, with 51,286 kg of CO₂ saved, equivalent to 8,820 ClickToGas digital services used.

Urban public green projects generate a positive effect on the environment, mitigating heat islands and promoting biodiversity through the planting of trees and plants.

The initiative supports projects that also generate social benefits such as educational pathways and the redevelopment of areas for social gatherings.

During the convention "A Network of Opportunities", held in May 2023, Italgas awarded the most virtuous sales companies in the use of digital services. During 2023, the company implemented several planting and public green projects in La Spezia, Florence, with the creation of a popular orchard, Lamezia Terme, with the involvement of a cultural association, and San Benedetto del Tronto, with the creation of an educational pathway for environmental education.

Also in 2023, the initiative was renewed with the Click To Be Green Open Call, aimed at Italian Municipalities licensing the Italgas Group's gas distribution service¹²⁶. The objective is to support urban regeneration projects initiated by public administrations, creating environmental and community benefits. In 2024, the implementation of the projects selected through the open call will begin.

Consumer Associations

For several years now, Italgas has cultivated a structured and ongoing collaboration with consumer associations, which officially began in 2018 with the signing of a Memorandum of Understanding with some 20 associations recognised by the CNCU (National Council of Consumers and Users). The main objective is to improve the relationship with the end user and the quality of the service provided by Italgas, as well as to increase consumer awareness of the use of natural gas and the prospects for renewable gas.

¹²⁵ Available at <https://www.italgas.it/servizi-per-te/click-to-gas/click-to-be-green/>

¹²⁶ Municipalities can participate in the Click To Be Green Open Call by applying via the dedicated web page on the Italgas website: <https://www.italgas.it/servizi-per-te/click-to-gas/click-to-be-green-open-call/>

INFO POINTS IN SARDINIA

With the aim of providing technical and information support to all users wishing to connect to the natural gas distribution network and activate the supply of methane, in 2023 the company Medea established "Info Points" dedicated to citizenship with the aim of significantly shortening communication times and being able to offer an even better quality service. After the opening of the first oversight centre in Porto Torres in February 2024, the inaugurations in Alghero, Siniscola, Terralba, Sestu, Sanluri and Villaperuccio will follow in the same year.

The topics of the collaboration include supporting the replacement of traditional meters with smart meters, more efficient management of user reports on possible inefficiencies, and the study of interventions aimed at reducing the number of service disruptions that result in complaints. Other highlights include supporting the conversion of networks previously run on LPG to methane and sharing the Sardinia methanisation project.

In 2023, Italgas organised a meeting with national and local heads of consumer associations in Turin on the strategic issue of network digitisation.

During 2023, Italgas continued its awareness-raising activities with a focus on the importance of biomethane for the energy transition by organising a visit to the biomethane plant of the company Bonollo and holding a webinar for "Casa del Consumatore" members. Finally, Italgas conducted joint advocacy actions with consumers' associations against a potential ban on the installation of high-efficiency gas boilers fuelled by renewable gas, proposed in some acts of European Commission initiatives.

Transparent relations and collaboration with sales companies

In Italy, natural gas consumers can now freely choose their supplier on the free market. As of January 2024, with the end of the "protected market", consumers previously served by this scheme must also switch to the free market, selecting their supplier themselves. Distribution companies are obliged to guarantee access to their networks on demand.

With the aim of improving dialogue and promoting constructive confrontation, Italgas is continuing its training and information programme dedicated to sales companies. This also involves Greek companies organising meetings and webinars on topics relevant to the sector. Enaon EDA also provides a dedicated web portal to facilitate the management of requests and payments.

Gas2Be

Gas2Be is the online platform dedicated to all Sales Companies operating on the Italgas Group's network that aims to make all work processes faster and more efficient, support the partnership and improve the services offered. Within the platform, the digital channel "**Sales Support**" has been enhanced for the management of reports and complaints from sales companies. This includes a new "Do-it-yourself" section with self-service tools, as well as over 160 "FAQs" and the introduction of the "Complex Complaints" feature, which allows sales companies to request virtual meetings dedicated to resolving more intricate issues, ensuring a more efficient and effective handling of such requests. In 2023, Italgas digitally managed about 17,000 reports.

Customer Satisfaction Survey

The Customer Satisfaction Survey conducted in November 2023 played a key role, measuring the degree of satisfaction of sales companies through 48 questions divided into 9 areas. The results show a considerable improvement, with a 9% increase compared to 2022, 16% compared to 2021 and 29% compared to 2020, indicating an increasing degree of satisfaction.

8.2.2 GUARANTEEING HEALTH AND SAFETY IN THE WORKPLACE

The commitment towards health and safety is formalised in the Italgas Group "Health, Safety, Environment, Quality and Energy Policy (HSEQE)", developed on the basis of company policies and in line with the Code of Ethics, aimed at enhancing and protecting human resources, essential values for the Company.

Some of the specific commitments on which the Policy is based regard:

- to design, implement, manage and dispose of facilities, constructions and assets, to protect worker health and safety, the environment, energy savings, while aligning with the best technologies available and economically sustainable;
- to conduct and manage activities in order to prevent incidents, accidents and occupational diseases;
- to ensure the information, training, and awareness of personnel for an active and responsible participation in the implementation of the principles and the achievement of the objectives;

The Company implements various activities aimed at minimising accidents for both its employees and contractors, including, for example, safety awareness and discussion meetings that also involve contractors.

During the year, various initiatives were put in place with the aim of further strengthening the Company's commitment to safety, including, for example, "meetings" between management and employees, where organisational and operational aspects are examined with a particular focus on safety issues. During the year, recurring activities are carried out on safety issues and, in particular, issues regarding the prevention of accidents attributable to the activities of operational staff. These include, for example, the "Italgas Safety Trophy", an initiative that awards recognition to personnel who have distinguished themselves in achieving a result considered to be of the utmost importance: the absence of accidents. The initiative takes into account not only the specific KPIs of accident events, but also indicators that lead to their reduction, such as near miss reports or non-conformities detected and rectified.

In 2023, for the Italian scope, there was a decrease in the number of accidents occurring in the context of work activities for employees. It went from 9 events in 2022 to 8 events in 2023, matching the trend of the last five years (6 in 2019 – 7 in 2020 – 4 in 2021). The majority of the events that occurred in 2023 were attributable to situations that occurred within the work process (5 events out of a total of 8), while 3 were traffic accidents caused by external parties. All events were subjected to systemic analyses in order to define corrective actions that were promptly activated to avoid the recurrence of similar accidents. The frequency index (FI), calculated using only employee accidents that occurred at work, is therefore down from 1.47 in 2022 to 1.37 in 2023. The number of contractor accidents, at 5 in 2023, is clearly down on recent years (over the past three years, an average of 8 accidents per year). The frequency index of 1.01 consequently shows a decrease compared to the values of the previous three years.

With regard to the Greek scope, 3 accidents occurred to employees in 2023, resulting in a frequency rate (LTIFR) of 2.95 and a severity index of 0.04. The combined employee and contractor Frequency Index aggregated for Greek companies in the same period was 1.27.

The Group's constant work to raise awareness of health and safety issues in order to prevent potential accidents, carried out throughout the year, meant that the number of near misses detected increased significantly in 2023 compared to 2022.

Standard GRI 403-9 Work-related injuries - Employees¹²⁷	u.m.	2021	2022¹²⁸	2023
Workplace accidents (LTI) ¹²⁹	no.	4	13	11
<i>of which with serious consequences</i> (absence of more than 6 months)	no.	0	0	0
Fatalities	no.	0	0	0
Employee accident rates¹³⁰				
Frequency Rate (LTIFR) ¹³¹	-	0.61	2.02	1.60
Accident frequency rate with serious consequences	-	0	0	0
Fatality index	-	0	0	0
Severity index	-	0.01	0.05	0.05
Standard GRI 403-9 Work-related injuries - Non-employed workers (contractors¹³²)¹³³	u.m.	2021	2022¹³⁴	2023
Workplace accidents (LTI)	no.	8	9	6
<i>of which with serious consequences</i> (absence of more than 6 months)	no.	0	0	0
Fatalities	no.	0	0	0
Indici infortunistici (contrattisti)¹³⁵				
Frequency Index (LTIFR)	-	1.71	2.03	0.85
Accident frequency rate with serious consequences	-	0	0	0
Fatality index	-	0	0	0
Severity index	-	0.07	0.10	0.03
Employee + contractor accident frequency index	-	1.07	2.02	1.22
Near misses	no.	9	18	198

¹²⁷ The data on accidents include events that led to absence from work for more than one day

¹²⁸ Greek scope included from September 2022.

¹²⁹ LTI: Lost Time Injury.

¹³⁰ Calculated as follows: Fatality index: number of Fatalities / million hours worked; Severity index: number of days absence due to accidents / thousand hours worked; Frequency index: number of accidents recorded / million hours worked.

¹³¹ LTIFR: Lost Time Injury Frequency Rate.

¹³² Workers of companies with a service or work contract with Italgas (e.g. construction companies, cleaning companies, etc.).

¹³³ The data on accidents include events that led to absence from work for more than one day.

¹³⁴ Greek scope included from September 2022.

¹³⁵ For the years 2021 and 2022 the near misses refer to Italy only; for the year 2023 they refer to Italy and Greece.

8.2.3 DEVELOPING AND PROMOTING FUTURE SKILLS, VALUING DIVERSITY AND SUPPORTING EQUAL OPPORTUNITIES AND INCLUSION

Italgas HR management supports personal development and the Group's industrial growth, based on three strategic pillars:

- strengthening engagement and encouraging innovation and organisational changes;
- improving inclusion and sustainability of doing business;
- increasing efficiency through digitisation processes.

With the awareness that the main challenges presented by digital transformation involve people, the Group has planned to continue investing in upskilling and reskilling activities as part of its 2023-2029 Sustainable Value Creation Plan, reaching a target, at the end of the Plan, of 48 hours of training per year per employee, with a specific focus on digital learning. Furthermore, with the Italgas Academy, the Group will ensure continuous managerial and cultural growth, conveying a single corporate purpose among the various businesses and managers.

Italgas strongly reaffirms its commitment to Diversity & Inclusion in order to improve the inclusion of its people, promote equal opportunities, appreciate the value of diversity and promote the uniqueness of individuals.

To this end, a change management programme was launched dedicated to Diversity & Inclusion through widespread awareness-raising initiatives, which in 2023 culminated in the identification of over 40 Diversity & Inclusion Ambassadors, key figures of change who are engaged in specific work areas such as Age & Culture, Disability and Gender. In line with the Code of Ethics, Italgas considers diversity a corporate asset: it respects the dignity of every individual and guarantees equal opportunities in all aspects of the employment relationship, preventing any form of discrimination deriving from differences in sex, age, health, ethnicity, nationality, political or religious opinions.

The targets Italgas has set itself are challenging: increase in gender representation, with specific reference to managerial positions (27% of women in positions of responsibility by 2028).

PUT PEOPLE AT THE CENTRE

Italgas has always regarded its people as its most valuable assets. In its 2023-2029 Strategic Plan, the Company has provided for numerous actions aimed at developing and enhancing the value of the 4,297 people who are part of the Group as at 31 December 2023.

TRAINING AND DEVELOPMENT

Also in 2023, Italgas continued to invest significantly in development and training processes, with the aim of inspiring and guiding the behaviour of all the Group's people along the path of the profound transformation that the company has been implementing on several fronts for some time now.

DEVELOPMENT PROGRAMMES

PEOPLE POWER – TALENT TOUR 2023

Together with the Fondazione Mondo Digitale, Italgas launched the People Power Project in 2023 that involved a total of more than 150 students from the universities of Rome, Turin, Bologna and Bari; at each stage, creative challenges were held related to how young people see the world of work. Following the initiative, the Italgas “Decalogue of Change” was produced, describing the Company’s commitment to new generations.

IGRID

Igrid-Performance Evaluation represents the Group’s evaluation system, based on the Leadership Model and annual performance analysis. In 2023, about 2,250 people in the Italian companies were evaluated through this system. The process was improved with the introduction of the self-assessment form for individual involvement. In addition, in the year under review, more than 2,500 training hours were dedicated to the training of people managers and in-depth self-assessment for Individual Contributors in the context of Igrid 2023.

IGROW

The second edition of “Igrow” has been launched, the Italgas Graduate Programme dedicated to young talents motivated to embark on a highly formative and impactful cross-functional career path. The 2023 edition saw the placement of 10 recent graduates selected through an Assessment Centre based on the Italgas Leadership Model.

SMART ROTATION

Per rafforzare lo scambio di competenze all’interno del Gruppo, valorizzare le proprie persone e favorire lo sviluppo di talenti e professionalità interne, nel corso del 2023 è proseguito il progetto di Job Posting interno, che permette ai dipendenti di avere visibilità sulle posizioni vacanti nel Gruppo.

	2021 Italy	2022 Italy	2022 Greece	2023 Total Group
Percentage of new positions held by in-house candidates	87.6%	80.8%	0.0%	76.3%

TRAINING PROGRAMMES

In 2023, Italgas continued its path towards excellence with a focus on training to strengthen key skills and support digital and sustainable transformation, aiming for an inclusive organisational culture.

During the year, the training programme was updated to respond to new HSE regulations and operational needs, with the introduction of customised training paths and the renewal of existing ones to maintain effectiveness throughout the Company's evolution. A Design Team led the renovation of training, emphasising collaborative co-design for operational efficiency and innovation.

With more than 173,000 hours of training provided in Italy and Greece, each employee benefited from about 40 hours of training, an increase of about 14% compared to 2022 (also in economic terms, the average investment in external costs per person increased from € 350 to about € 400).

Italgas has established its own Corporate Academy with the aim of guiding the reskilling and upskilling of the group's people by acquiring the necessary skills to achieve the ambitious strategic plan goals: IGAcademy. The IGAcademy represents the Italgas Group's leadership model; through its training programmes, it disseminates the leadership model based on the three pillars Excellence, People and Innovation.

In 2023, about 107,000 training hours were provided for the Excellence pillar, 39,000 for the People pillar and 27,000 for the Innovation pillar. Below are some of the most relevant initiatives:

107,000 hours spent on Excellence

We delivered detailed training programmes, ranging from emergency management and innovative technologies such as Picarro, to gas distribution and works design.

In cooperation with the Polimi Graduate School of Management, we offered advanced courses in Project Management, while one of the main initiatives with in-house teaching was courses on commercial aspects and complaint management.

We are also committed to HSE and compliance training such as GDPR, whistleblowing and anti-corruption policies.

39,000 hours spent on People

In 2023, the WeSpeak programme offered 6,900 hours of training to enhance skills in English and Greek, promoting an intercultural approach. WeTrain, with eight two-day editions, focused on the development of advanced in-house teaching skills, involving 78 resources. The Onboarding initiative provided a starter pack on the Group to over 200 new hires, while the MyBuddy programme, launched in May 2023, facilitated the integration of new hires with the support of 31 experienced Buddies in different locations.

In 2023, Italgas implemented new development programmes that will continue in 2024, aimed at enhancing the skills and leadership of its people:

- WeInspire: Mentoring and reverse mentoring programme introduced for young managers.
- Team Leadership Development: Pathways for teams, aimed at accompanying change management, development and empowerment.
- Inspire & Influence and Initiative & Decision Making: Programmes for people managers with a workshop and experiential approach, aimed at improving two key skills within the leadership model.

27,000 hours spent on Innovation

Italgas provided extensive training on several key initiatives. The Patch Madflex Repair technology presentation involved 880 people with 7,040 hours of training, while the partnership with Talent Garden offered a Masterclass on innovation and sustainability to 20 participants. Training on in-house digital products involved over 2,000 people for 2,553 hours, focusing on products such as DANA, WorkOnSite, ClickToGas, GasToBe and Savemixer. Italgas also collaborated with the Turin Polytechnic and ENEA, which produced 1,300 and 300 hours of training respectively on biomethane and hydrogen for 160 and 10 internal participants.

COMPENSATION SYSTEM

Italgas is committed to ensuring a remuneration policy that is in line with national and international best practices, that supports and encourages business development, is consistent with the Strategic Plan and the Sustainable Value Creation Plan and responds to the Company's values and culture. In particular, in order to attract, motivate and retain the best talents, Italgas promotes employee commitment and performance through the definition and implementation of compensation policies, that are very much focused on meritocracy and differentiated according to performance and professional and managerial abilities, by considering:

- the responsibilities assigned;
- the results achieved;
- the quality of the professional contribution;
- the leadership model and values;
- people's development potential.

The Italgas Group Remuneration Policy is described in full in the annual Report on the Remuneration Policy and Compensation Paid¹³⁶, the latest approved version of which, in 2023, was much appreciated by stakeholders and shareholders with 92.8% voting in favour of the first section on the 2023 remuneration policy and 94.6% voting in favour of the second section, on the compensation paid in 2022.

In 2023, performance assessment involved 64 executives (12 of whom were women) and 389¹³⁷ non-executives (108 of whom were women), coming to a total of 453 people, divided among the various Italgas Group companies as follows:

- Italgas S.p.A. (33.3%): 151 people, 35 of whom were executives (11 of whom was woman) and 116 of which were non-executives (44 of whom were women).
- Italgas Reti (7.6%): 197 people, 15 of whom were executives (1 of whom was woman) and 182 of which were non-executives (34 of whom were women).
- Medea (12.7%): 9 people, 2 of whom were executives.
- Toscana Energia (7.7%): 28 people, 5 of whom were executives.
- Geoside (30.1%): 25 people, 1 of whom executive and 24 of which non-executives (10 of whom were women).
- Nepta (14.8%): 4 people, 1 of whom were executives.
- Bludigit (38.2%): 39 people, 5 of whom were executives and 9 women.

For further details, please refer to the Report on the 2023 Remuneration Policy and the 2022 Compensation Paid and the Report on 2024 Remuneration Policy and 2023 Compensation Paid.

RELATIONS WITH TRADE UNIONS (TUS)

In 2023, the relationship between the Italgas Group and the Trade Unions was strong and focused on implementing the provisions of the Industrial Relations Protocol, within a complex scenario characterised by the energy crisis.

The Parties managed the energy emergency by sharing a strategy and providing for the closure of some company offices on Fridays, as well as granting an economic bonus to all employees. Following the trade union discussions, significant agreements were reached on: the reorganisation of the Picarro gas leak detection service, the finalisation of the 2022 Performance Bonus and the setting of targets for 2023, the signing of the new rules for the establishment of the bonus for the 2024-2025 two-year period, with the reconfirmation of the agreement on the productivity of company middle managers and the inclusion of Toscana Energia in the scope. The Joint Company Institution (IPA) for Smart Working was then established, in order to jointly govern this organisational modality. The current agreement on Smart Working was also extended until the end of March 2024. The work of the Joint Company Training Institution continued, with the sharing of Group training initiatives

¹³⁶ <https://www.italgas.it/wp-content/uploads/sites/2/2024/03/Remuneration-Report-2024-and-Compensation-Paid-2023.pdf>

¹³⁷ The policy provides for the assignment for all middle managers of an individual target card, to which 50% of the corporate premium is linked, in a bid to further strengthen the focus on results and assign increasing importance to merit

and the signing of agreements for financed training. The election perimeter for Geoside's Unitary Trade Union Representatives (RSU) was redefined in order to elect the RSU and the Workers' Representatives for Safety and the Environment (RLSA) in December 2023. During 2023 in Italy, the constant involvement of representatives at every level was therefore confirmed: 73 meetings were held with trade union organisations, of which 29 at national level (with the National Secretariats, the RSU Coordination Committee (CCRSU) and the IPAs) and 44 at local level. Also with regard to the Greek scope, during the year 2023 the workers' representatives were constantly involved in the negotiations, which led to the renewal of the company collective agreements of the companies DEDA, EDA Attikis and EDA Thess now merged into Enaon EDA. In addition, the company and the trade unions discussed both the process of centralising personnel pertaining to so-called corporate activities and the process of merging EDA Attikis and EDA Thess into DEDA, now Enaon EDA. In the year 2023, a total of 16 meetings were held with trade unions in Greece.

At the end of 2023, in Italy, the percentage of employees registered with a trade union organisation was 38%; in Greece, this percentage was 80.5%. In total, Group employees who are members of a trade union organisation amount to 43.8%. Moreover, in 2023, 100% of employees in Italy and 89% of employees in Greece are covered by collective labour agreements. This implies that 98.43% of employees at 31.12.2023 were covered by collective labour agreements.

DISPUTES WITH EMPLOYEES

In Italy, legal disputes with employees and former employees of the Italgas Group in 2023 increased compared to previous years. In the course of 2023, a total of 26 new appeals and 3 cases were brought by Group companies, while 15 cases were closed. At 31 December 2023, a total of 31 court cases were pending, two of which were brought by groups of workers and both related to claims for holiday pay. In general, the legal action brought against Group companies (Italgas, Italgas Reti and Toscana Energia) mainly concern the following situations: difference between professional category and related remuneration, economic claims of various types, occupational illness, challenge of disciplinary measures inflicted, including dismissals, and appeals against terminations following the loss of concessions.

With reference to the Greek scope, a total of 2 new appeals were brought in 2023, while 1 case was closed. As at 31 December 2023, a total of 5 cases were pending.

Finally, it should be noted that no incidents of discrimination occurred during 2023.

WELFARE

Welfare, both professional and personal, is a fundamental value for Italgas. The Welfare Plan, dedicated to all Group employees, is committed to improving people's quality of life, helping them strike a work-life balance and creating an active and inclusive community.

The Welfare Programme offers a wide range of services and initiatives to meet the diverse needs of the employee population, including support for family, income, health and physical welfare, leisure and daily tasks. These services are accessible to all Group employees, regardless of contract type.

Initiatives are continuously updated based on employee needs and feedback. In 2023, more than 810 colleagues contributed through a survey to outline an increasingly comprehensive and inclusive Welfare Plan. New initiatives introduced during 2023 include a fuel bonus used by 95% of the corporate population, the "IG Out of Office" initiative, i.e. an outdoor training tour, as well as various activities aimed at promoting the health and well-being of all colleagues.

In addition to new initiatives, the Welfare Plan continues to offer support for income and leisure (micro-credit, agreements with banking institutions, etc.), for the family (day-care reimbursement, summer camps, study support), and for health and welfare (cancer prevention). Welfare Days and webinars are an important opportunity for all employees to share and learn more.

The 2023 initiatives generated strong engagement, with around 3,600 employees registered on the portal and over 10,000 requests made by users. In 2023, the number of active users (corporate population that has used at least one service) is 70% of the total corporate population, a 2% increase compared to 2022.

TOP EMPLOYER

For the fifth consecutive year, Italgas is once again certified as a Top Employer Italy 2023, recognising the Company's commitment to creating an inclusive work environment and fostering people's well-being through excellence in HR policies.

CLIMATE SURVEY

Also in 2023, Italgas conducted the "Your Voice Counts" climate survey, involving all Group employees. The participation rate was 88%, up on the previous year, confirming the Company's commitment to listening to employees' opinions in order to constantly improve. Key findings were shared with Company leadership to identify areas of excellence and improvement, ensuring continuous listening and effective action for employee welfare.

DIVERSITY

In 2023, the presence of women in the Italgas Group improved considerably: in the Italy-Greece scope, women managers accounted for 28.8%. Even in the Company's technical-operational areas, traditionally more male-dominated, there has been an overall increase in the number of female employees of 20.03%.

The Group is devoting increasing efforts to the creation of a gender-balanced management system, and has already made it compliant with the UNI/PdR 125:2022 standard by obtaining "gender equality" certification.

With regard to the issues of equity and inclusion, the company has long adopted a participatory approach, actively involving its people in various projects such as, for example, the Diversity & Inclusion Ambassador, which works on five areas of activity, tackling diversity related to age, culture, gender equality, emotional orientation and disability.

There were many initiatives during the year: the issue of gender-based violence was investigated by means of a specific survey, a Women's Empowerment programme was launched, training events such as 3Days4Inclusion and webinars on inclusive language were held, and WeInspire, a Mentoring and Reverse Mentoring programme involving mentor and mentee pairs, was implemented.

Italgas collaborates with the Valore D association to promote gender balance and participates in the Inclusion Impact Index Plus. It supports STEM By Women and WomanXImpact, advocating the HumanAlze Master's degree and participates in projects aimed at supporting the professional development of female students, such as Grow Data Girls.

The Group participates in the European 4E Parent project, in which it conducted a survey on fatherhood in 2023 and plans focus groups in 2024.

REMUNERATION

GRI 405-2 - Ratio of basic salary and remuneration of women to men

Italy

Ratio of remuneration ¹³⁸	u.m.	2021	2022	2023
Executives	%	88.6	94.6	110.7
Managers	%	91.3	93.6	89.9
Office Workers	%	92.5	92.0	93.9
Field Workers	%	71.1	67.0	70.6

Ratio of basic salary ¹³⁹	u.m.	2021	2022	2023
Executives	%	96.1	110.4	106.6
Managers	%	95.6	96.4	95.6
Office Workers	%	97.7	98.4	99.7
Field Workers	%	73.6	73.3	75.60

Greece

Ratio of remuneration ¹⁴⁰	u.m.	2022	2023
Executives	%	117.7	85.4
Managers	%	96.0	84.3
Office Workers	%	93.2	85.6
Field Workers	%	101.5	Not available ¹⁴¹

Ratio of basic salary ¹⁴²	u.m.	2022	2023
Executives	%	110.9	84.1
Managers	%	88.3	85.7
Office Workers	%	95.6	92.2
Field Workers	%	83.4	Not available ¹⁴³

ACCESSIBILITY OF THE APPLICATIONS DEVELOPED

The Italgas Group has maintained its focus on its commitment to a culture of inclusivity and digital responsibility. With this in mind, Bludigit's Digital Factory has created DeSI, the Design System of the Italgas Group: a series of elements and guidelines that are accessible "by design", allowing digital interfaces to be built that meet accessibility standards and maintain the coherence of the Group's image.

The use of DeSI ensures that the Group's sites are accessible to everyone, regardless of physical or sensory capabilities, and also significantly improves the user experience by helping to reduce the digital divide between people with and without disabilities. Consistent with DeSI, in 2023 Bludigit implemented several actions to raise the level of accessibility of digital solutions, for example on the careers portal and the sales company portal. Italgas publishes its Accessibility Statement on websites and portals¹⁴⁴. To report any cases of non-compliance and/or request further information, users can contact accessibilita@italgas.it.

¹³⁸ Ratio of the average fixed + variable remuneration and the total amount paid to employees between women and men.

¹³⁹ Ratio of average fixed remuneration between women and men.

¹⁴⁰ Ratio of the average fixed + variable remuneration and the total amount paid to employees between women and men.

¹⁴¹ Cannot be calculated as there are no women in the category.

¹⁴² Ratio of average fixed remuneration between women and men.

¹⁴³ Cannot be calculated as there are no women in the category.

¹⁴⁴ Website Italgas website HelpOnline customer Portal MyItalgas, Portal Italgas Careers, Portal Gas2Be, Site Medea, Site Nepta, Site Heritage Lab.

RESPECT FOR HUMAN RIGHTS

The Italgas' Code of Ethics, the Supplier Code of Ethics and the Human Rights Policy outline the reference principles and actions taken to protect human rights in the performance of the Group's activities and, in general, in any context in which Italgas people and business partners operate. These principles are in line with the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights and Core Conventions of the ILO – International Labour Organisation. The Policy for the Prevention of Discrimination and Protection of the Dignity of Group Personnel and the Diversity and Inclusion Policy reinforce the Group's commitments to the protection of Human Rights.

Specifically, Italgas' policies include the Group's commitment to combating the phenomena of forced or child labour, human trafficking and discrimination, as well as a commitment to pursuing workers' rights, including the right to freedom of association, collective bargaining and fair remuneration.

Italgas and its investee companies have adopted Organisation, Management and Control Models (Models 231), aimed at preventing the perpetration of offences, as well as Internal Control and Risk Management systems that guarantee compliance with minimum safeguards. In this context, the Italgas Group has developed a due diligence process to identify and assess potential human rights impacts and risks. The process provides for the identification of such risks within the Group's operations and business relationships.

The risk assessment activity includes:

- the as-is analysis for the identification of processes and activities most at risk;
- the self-assessment relating to the aforementioned risks and the control system;
- the identification and improvement plan in relation to any risks identified.

All suppliers are also required to guarantee respect for human and labour rights through the acceptance of Group policies, including those concerning, for example, human rights, health and safety, and environmental protection.

8.3 ITALGAS FOR A SUSTAINABLE FUTURE TOGETHER

SDGs	GRI	● NFS						
	<table border="1"> <tr> <td>2-28</td> <td>201</td> <td>204</td> </tr> <tr> <td>308</td> <td>414</td> <td>415</td> </tr> </table>	2-28	201	204	308	414	415	
2-28	201	204						
308	414	415						

Italgas adopts a Partnership for the Goal (SDG 17) approach, promoting continuous research into innovative solutions for the energy transition and, in general, a culture of innovation both inside and outside the Group. Good practices are disseminated throughout the supply chain to ensure that sustainability principles are respected. Caring for the local environment, supporting employment and the local economy, and developing and supporting projects that reflect the Group's identity and values are a fundamental part of Italgas' commitment to the territories in which it operates.

SPECIFIC MATERIAL TOPICS

- Sustainable management of the supply chain
- Dialogue and value creation on the territory
- Respect for human rights

TRANSVERSAL MATERIAL TOPICS

- Compliance, transparency and fight against corruption
- Responsible governance and risk management
- Economic value generation and ESG finance

MEDIUM-TO-LONG-TERM IMPACTS OF OUR ACTIVITIES

RELATIONSHIP CAPITAL



- Digitisation, innovation, efficiency, safety and sustainability of gas distribution infrastructure
- Promotion of innovation in the service of energy transition
- Increased resilience of the supply chain through the dissemination of the best sustainability practices
- Generation of shared value for the stakeholders in the territory

FINANCIAL CAPITAL



- Increased resilience of the supply chain through the dissemination of the best sustainability practices
- Generation of shared value for the stakeholders in the territory

MANUFACTURED CAPITAL



- Digitisation, innovation, efficiency, safety and sustainability of gas distribution infrastructure
- Promotion of innovation in the service of energy transition

INTELLECTUAL CAPITAL



- Digitisation, innovation, efficiency, safety and sustainability of gas distribution infrastructure
- Promotion of innovation in the service of energy transition



WE PROMOTE INNOVATION AND DIALOGUE THROUGH PARTNERSHIPS

ACTIONS	TARGET ¹⁴⁵	2023 PERFORMANCE
Promoting the culture of innovation	<ul style="list-style-type: none"> 3,000 innovative SMEs and start-ups evaluated for collaboration between 2022 and 2028, also through advisors, incubators and university scouting in Europe, USA and Asia 	<p>1,517</p> <p>start-ups and innovative SMEs were evaluated for collaborations, of which 1,118 were evaluated in 2023</p>
Developing innovative solutions that will promote the energy transition	<ul style="list-style-type: none"> 45 solutions to support the energy transition adopted or developed with innovative start-ups or SMEs by 2028 75% of the digital projects realised for the Group and the market having a major impact on sustainability in 2028 Start of the transformation of Group laboratories by 2024, in order to be a centre of excellence for innovative gas distribution solutions; development of a centre of excellence in hydrogen testing and research and construction of new laboratories in Turin by 2025 	<p>21 solutions</p> <p>to support the energy transition, including 7 in 2023</p> <p>62%</p> <p>of digital projects, created for the Group and the market, with a high impact on Sustainability</p> <p>The mission, activities and organisation of the new laboratories are currently being reviewed with the aim of becoming a centre of competence and innovation on natural gas distribution and new renewable gases to facilitate the energy transition</p>
Contributing to the debate on the role of gas in the energy transition	<ul style="list-style-type: none"> Active participation in national and international associations for gas advocacy and the energy transition and development of collaboration initiatives with value chain actors 	<p>In 2023, the Group continued its participation in industry associations and the development of initiatives with value chain players. For further information see section 8.3.1</p>

¹⁴⁵ The targets, approved by the BoD in June 2023, refer to the perimeter of the Group companies consolidated using the line-by-line method as of June 2023. They do not include the water service companies acquired in 2023 and which subsequently merged into Nepta, or any future changes as a result of ATEM tenders and M&A transactions.



WE ENCOURAGE THE ADOPTION OF SUSTAINABILITY PRINCIPLES IN THE SUPPLY CHAIN

ACTIONS	TARGET	2023 PERFORMANCE
Disseminating the culture of sustainability along the supply chain	<ul style="list-style-type: none"> 100% of the suppliers potentially posing high sustainability risks¹⁴⁶ involved and trained in ESG issues by 2024 	<p>90%</p> <p>f strategic suppliers for sustainability involved and trained on ESG topics</p>
Integrating sustainability criteria in supplier qualification, evaluation and selection processes	<ul style="list-style-type: none"> 100% of the suppliers potentially posing high sustainability risks subject to ESG audits (including respect for human rights) by 2028 Introduction of additional sustainability criteria rewarding the suppliers at the tendering stage by 2023 	<p>24 ESG audits carried out, of which 10 were on-site audits and 14 were desk audits</p> <p>2 new criteria were introduced in 2023, relating to gender equality and the percentage of electricity use from renewable sources</p>



WE TAKE CARE OF THE TERRITORY

ACTIONS	TARGET	2023 PERFORMANCE
Supporting employment levels and the economy of the municipalities where we operate	<ul style="list-style-type: none"> +40% suppliers in the territory selected from among the SMEs by 2028 (baseline 2022) Consolidating a growth path for SME suppliers through training, joint technological development, access to new geographical areas, by 2023 	<p>+100%</p> <p>of suppliers in the territory selected from SMEs</p> <p>The two pathways "Sustainability makers" (20 suppliers) and "Value D" (66 suppliers) were promoted</p>
Developing projects associated with the identity and business model of the Group that can valorise the territories	<ul style="list-style-type: none"> 60% of the municipalities with service contracts or concessions met annually, for: monitoring commitments made, network extension requests, payment of fees and presentation of new initiatives and technologies Definition of an evaluation model for the impacts of company activities by 2024 	<p>72%</p> <p>of Municipalities with service contracts or concessions met</p> <p>Recognition of available impact assessment models underway</p>

¹⁴⁶ Suppliers of strategic importance to the core business of the Group at potential risk of non-compliance with their contractual obligations concerning sustainability-related issues

8.3.1 PROMOTING DIALOGUE THROUGH PARTNERSHIPS

Italgas invests in the territories in which it operates, promoting continuous dialogue and social, cultural and environmental interventions. In pursuing these interventions, Italgas interfaces with its interlocutors to guarantee transparency, correctness and impartiality, confirming its commitment to the values of collaboration and attention to people and the environment.

Thanks to the adoption of an Operating Instruction, Italgas defines roles, responsibilities and procedures to be followed in managing relations with authorities, local, national and European institutions, trade associations and public administration, with the aim of adequately protecting and representing the Group's interests through the establishment, management and maintenance of an appropriate relational network.

COLLABORATION WITH TRADE ASSOCIATIONS

As the first operator in Italian gas distribution and the third in Europe, Italgas actively participates in the activities of various Italian and international associations for the protection, optimisation and development of the segment. Its participation is manifested through the presidency of corporate bodies and collaboration in working groups within the associations, addressing operational and policy issues, including those related to energy transition. Italgas manages relations with authorities at various levels, trade associations and public administrations, following principles of transparency and fairness.

Among the relevant national associations, Italgas participates in Proxigas, a trade association belonging to Confindustria, and Assonime, an association of Italian joint-stock companies. Internationally, it is involved in GD4S, representing large natural and renewable gas distributors in Europe, and Eurogas, a European association with 77 companies and associations operating in the gas sector. Italgas actively contributes to working groups and task forces in Eurogas, such as in the DIST Committee and the Gas Advocacy Group, participating in steering committees and on the board of directors of Eurogas. During 2023, Eurogas addressed and supported regulatory developments on several dossiers, including Gas Package, Methane Emissions Regulation, EPBD, Ecolabelling & Ecodesign, Energy Efficiency Directive and Heavy-Duty Vehicle Directive.

On the Greek side, Enaon develops cooperation with national and European associations and organisations, local authorities, policy makers and relevant institutions, aiming to promote its positions and contribution in energy policy making.

Some of the most important associations within the Greek national landscape include: Federation of Industries of Greece, Thessaloniki Greek-Italian Chamber of Commerce, Greek Association of Biogas Producers, Association of Thessaly and Central Greek Industries, Greek Association of Energy Economics. While in Europe, Enaon participates in Eurogas, GD4S and Marcogaz (Technical Association of the European Gas Industry).



United Nations Global Compact

Italgas is committed to the Global Compact, an initiative established over 20 years ago to promote a sustainable global economy. By signing up to this United Nations initiative, Italgas undertakes to implement strategies compatible with a development geared towards social and corporate responsibility. The Global Compact encourages the creation of a worldwide network for sustainable development, asking member companies to respect the 10 universal principles of the Global Compact, which cover human rights, labour, environmental protection and the fight against corruption.

READY4H₂

Since 2021, Italgas has been participating in "Ready4Hydrogen", an international initiative uniting more than 90 Energy Service Distributors (DSOs) from 13 European countries. The aim is to promote consumer access to hydrogen through distribution networks and facilitate the entry of new producers into the market. The initial phase of "Ready4Hydrogen" increased the know-how of DSOs on hydrogen by gathering their experience and knowledge. It also enhanced the contribution of DSOs to the entire hydrogen value chain by transforming their experiences into value propositions. After a second phase, dedicated to discussing national strategies for hydrogen ramp-up and defining solutions for critical technical issues, Italgas is evaluating its contribution to the third phase of the project.

BIP

In 2023, Italgas continued the Biomethane Industrial Partnership, a partnership platform aimed at facilitating collaboration between policy makers, industry representatives and other stakeholders to achieve the European Commission's target of 35 bcm of biomethane production by 2030. Italgas proposed to join Task Force 4, focused on reducing production and connection costs. At the same time, through GD4S, Italgas is also monitoring the work of Task Force 2, which deals with the acceleration of biomethane project development and the attraction of investments.

OIL AND GAS METHANE PARTNERSHIP INITIATIVE - OGMP 2.0

In 2023, Italgas continued its commitment to the voluntary Oil and Gas Methane Partnership (OGMP 2.0) initiative to reduce methane emissions in the oil and gas sector. This initiative, launched in 2014 during the United Nations Secretary General's Climate Summit, commits companies to adopting corporate protocols aimed at reducing emissions by 45% by 2025 compared to 2015 values, in line with the objectives of the Paris COP21. Italgas received the OGMP "Gold Standard" award for the third consecutive year, attesting to excellent data quality for both operated and non-operated assets, further improving on the 2022 score.

OTHER COLLABORATIONS

Italgas actively collaborates with several key organisations:

- Confindustria: Italy's leading organisation representing entrepreneurs, with more than 153,000 manufacturing and service companies employing over 5 million workers.
- CISPEL Toscana: Entrepreneurial representation organisation of Tuscan public service companies.
- Anie: National federation of electrotechnical and electronic companies, a member of Confindustria and a shareholder of Geoside.
- FSR – Florence School of Regulation: Independent advanced training and research institute on international regulation and policies in the electrical, water and gas sectors, sponsored by the European Commission.
- IGI: Study centre founded and participated in by major public works constructors.
- CNA: Entrepreneurial representation association focused on SMEs and craft businesses.
- Friends of LUISS: Association supporting the development of LUISS University, focused on managerial and entrepreneurial education.
- MIP – Politecnico di Milano Graduate School of Business: University training institute in technical and management subjects.
- Valore D: Organisation that promotes the empowerment of women at work and gender equality.
- Foundation for Digital Sustainability: First research foundation in Italy dedicated to digital sustainability.

8.3.2 INNOVATION PARTNERSHIPS

Italgas places innovation at the heart of its development strategy, promoting an ongoing dialogue with universities, start-ups and innovative SMEs both nationally and internationally, particularly in the fields of infrastructure monitoring and gas leakage detection research.

IDEAS4ITALGAS

The Open Innovation programme, Ideas4Italgas, accelerated corporate innovation in 2023 with 19 experiments and four scale-ups. There was an internal call for proposals that generated three innovative projects, while challenges on renewable energy harvesting and the Supplier Driven Innovation initiative testify to the commitment to sustainability.

INNOVATION AND INTERNATIONALISATION

In May 2023, as part of the internationalisation programme promoted by the Italian Innovation Centre at INNOVIT, Italgas inaugurated a technological outpost in Silicon Valley, intensifying its presence in the United States and fostering encounters with start-ups committed to Energy and sustainability issues.

In Tel Aviv, Italgas is sponsoring the "Climate Solution Prize" for decarbonising infrastructure, seeking innovative start-ups to address climate change issues.

PARTNERSHIP WITH POLYTECHNIC UNIVERSITY OF TURIN

The partnership with the Polytechnic University of Turin, which began in 2020, continues to support research and training activities for energy transition, sustainable mobility and the circular economy. Projects range from digital innovation to technologies for the use of renewable gases in existing networks.

3D ASSET MAPPING PILOT PROJECT WITH ARERA

Italgas Reti obtained approval from ARERA to participate in the incentive mechanism for technological innovation pilot projects. The 3D Asset Mapping project aims to digitise 3D mapping for advanced infrastructure monitoring, contributing to the energy and environmental efficiency of gas and water distribution networks.

8.3.3 PROMOTING THE PRINCIPLES OF SUSTAINABILITY IN THE SUPPLY CHAIN

Italgas considers responsible supply chain management to be strategic in order to ensure the high quality of its services and to help safeguard and enhance its reputation.

To become part of the Italgas supply chain, suppliers must:

- Read and accept the Group's Code of Ethics and the Italgas Supplier Code of Ethics.
- Adhere to the Ethics and Integrity Agreement.
- Comply with the Group Policies on sustainability, corruption, diversity, inclusion, human rights and integrated management of health, safety, environment, quality and energy.
- Comply with Cybersecurity and Data protection principles through the acceptance of the "Cybersecurity Awareness for Third Parties" policy and a specific contract for the processing of personal data.

In 2023, Italgas' Vendor List consisted of 1,867 qualified suppliers for Italy (plus 558 Greek suppliers), with an increase in qualified indirect suppliers and innovative start-ups and SMEs, confirming the Group's commitment to innovation.

In 2023, Italgas issued contracts and orders amounting to approximately € 730 million for goods, works and services for all Group companies. The contracts were mainly concluded with local national suppliers (98%), while approximately 11 million (2%) related to agreements made with suppliers from other European (France and Spain) and non-European (USA) states. Today's geopolitical context linked

to the Russian-Ukrainian and Israeli-Palestinian conflicts has led the Group to further intensify its controls and monitoring of the supply chain, confirming that there are no first or second tier suppliers involved in the areas affected by either conflict.

THE ITALGAS PURCHASING PROCESS

A supplier wishing to work for any Italgas Group company, whether Italian or Greek, must comply with precise standards and policies defined by the Group.

In 2023, Enaon EDA initiated a specific project aimed at existing suppliers and those with ongoing partnerships. The aim was to get these suppliers to sign the Supplier Code of Ethics. In addition, Enaon EDA is currently working on harmonising purchasing flows and procedures with those of the Group.

The main stages of the purchasing process in Italgas are shown below:

Figure 2 The main phases of the purchasing process in Italgas



1. Supplier qualification and management

It includes the processes of supplier qualification and evaluation, inspection and audit visits, as well as performance monitoring during the execution of contracts.

The Qualification process for Italgas suppliers is divided into three stages:

1. Application In this phase, Italgas analyses the economic-financial and sustainability data of each supplier.
2. Registration: The minimum qualification requirements and the specific requirements associated with a particular product category are assessed here.
3. Qualification: Depending on the complexity of the requirements, the supplier can access three paths: Smart (low complexity), Medium (medium complexity) or Strong (high complexity). Each level requires the fulfilment of minimum quality, environmental, health, safety, as well as technical, economic-financial and cyber security requirements.

Suppliers considered "critical" have a strong impact on the Group's business in terms of complexity, strategicity, volume and technological impact. Among these, critical suppliers in the "Strategic Works and Materials" product categories are also strategic for sustainability. In addition, for specific categories such as Start-ups & Innovative SMEs, Italgas adopts a simplified qualification process based on a questionnaire and acceptance of essential conditions.

In 2023, as many as 23 innovative start-ups qualified through the Group's Open Innovation projects. Suppliers that pass the process become part of the Group's Vendor List and can be selected to participate in tender procedures.

2. Strategic planning

This phase involves the definition of procurement plans based on future needs and the identification of strategic projects for the Group that also require the qualification of new suppliers.

3. Tender strategy

In the tendering process, the best methods are defined in compliance with the procedures and regulations in force (Procurement Code). This applies to both public and private tenders. Minimum participation requirements and technical criteria are established, with a focus on ESG content and the technical specificities of individual procedures. The process ends with the awarding and signing of the contract.

4. Management of contracts

This includes the regular monitoring of contractual agreements, the quality of work execution, compliance with technical specifications and timelines, and compliance with regulations and ESG commitments.

SUPPLIER SECTION AND QUALIFICATION PROCESS ON THE ITALGAS WEBSITE

In order to qualify, suppliers have to pass several evaluation stages, which include, specifically:

- Preliminary analysis of the documentary and technical requirements, differentiated according to the complexity of the goods category of reference;
- Analysis of the sustainability requirements;
- Analysis of the health, safety and quality requirements;
- Analysis of the economic-financial requirements.

The qualification and management of suppliers, as well as the management of tenders, contracts and sub-contracts and material stocks, are managed through an e-procurement platform. For more details, please see <https://www.italgas.it/en/suppliers/>.

ISO CERTIFICATIONS

The Italgas Group requires specific ISO certifications from its suppliers that attest to the creation, application and maintenance of a management and work organisation system that complies with specific internationally recognised reference standards.

During the qualification phase and to participate in the tender procedure, the following certifications are required:

ISO 9001 on quality management systems.

ISO 14001 or EMAS on environmental management systems.

OHSAS 18001/ISO 45001 on health and safety management systems.

Their mandatory nature is a requirement of product classes with a high level of complexity, but it may represent a bonus requirement for qualification and participation in tender procedures. In addition to the aforementioned certifications, as rewarding criteria when participating in tenders, certifications that are not currently mandatory, but are fundamental for the Group in terms of environmental, social and governance impact on the entire supply chain, are required, such as

SA8000 on social responsibility;

ISO 37001 on preventing corruption;

ISO 50001 on energy management;

ISO 27001 on information security.

The Group's goal is to increase the percentage of suppliers holding each ISO certification by 5% each year, in addition to those already required in the minimum qualification requirements.

5. Material Management and stock management

It ensures the planning and management of all the activities linked to material procurement flows necessary for the development of the business plans and the management of logistics activities, including the operation of the warehouses.

6. Performance monitoring

Italgas implements a supplier monitoring and management model through an evaluation system based on indices called "Supplier Scores".

The main indices and criteria monitored include:

- **Operational Vendor Rating:** This evaluates quality, personnel skills, readiness for digitisation, collaboration with the Italgas Group and adherence to deadlines. Suppliers receive an overall score out of 100. A score below 60 can lead to measures such as a warning, temporary suspension of qualification or revocation of qualification.
- **Reputational checks:** They examine circumstances that could compromise the supplier's compliance with Italgas requirements. The Fraud Management Team examines cases by conducting due diligence and analysing open sources.
- **Sustainability Index:** Suppliers fill in a sustainability questionnaire assessed by a third party. The rating determines access to the Italgas Supplier Portal. ESG audits are conducted to certify supplier responses.
- **Financial Soundness Index:** It assesses the financial soundness of suppliers, preventing them from being admitted to the next steps of the process if they fall below the predetermined threshold. An in-depth financial risk analysis is performed for strategic suppliers.

- Accident index: Assesses accident severity indices, with measures defined in the "Italgas Supplier Regulations". Occupational safety and health are prioritised, with measures that can go as far as revoking qualification.

This approach aims to ensure that suppliers meet high standards in terms of quality, ethics, sustainability and safety, contributing to a responsible supply chain.

SUPPLY HUB

In 2023, Italgas focused its efforts on analysing the digitisation process and redesigning procurement through a working group within the Digital Factory (Room 12). This work led to the launch of the new SupplyHub portal. SupplyHub is the single access point for the entire ecosystem of supplier applications, covering a wide range of activities, from field service management to invoicing. In addition, the portal offers a new, fully digital function for the management of subcontracts.

SME (SMALL AND MEDIUM-SIZED ENTERPRISES) PROJECT

The project, active since 2020 with two Qualification Systems, one for gas networks, the other for water networks, aims to promote the development of the Group's supply chain, supporting initiatives to qualify, empower and grow Small- and Medium-sized Enterprises, in line with the guidelines set out in the 2023-2029 Sustainable Value Creation Plan. The project aims to grow SMEs dimensionally, economically and structurally by accompanying them with "targeted growth" paths through the definition of guidelines and through the constant monitoring of their performance. During 2023, 16 Small- and Medium-sized Enterprises qualified for tenders below the thresholds. Orders were awarded to 9 suppliers, whose performance is monitored through the operational Vendor Rating.

SCOPE 3 AND THE DECARBONISATION PROCESS

Since 2022, the Group has embarked on a comprehensive review of the Scope 3 supply chain emissions calculation model, which allows the calculation of the specific emission factors of its suppliers, directly involving the entire supply chain. Strategic suppliers with a high sustainability impact are continuously involved in training on the calculation of direct and indirect emissions and energy consumption, as well as training on other ESG topics. Thanks to this structured approach, there has been a 6.2% reduction in the Italian Scope 3 emissions in 2023, compared to the previous year. More than 100 direct and indirect suppliers were involved. In 2023, the project was also extended to Greece with the delivery of two in-house and external webinars involving around 40 strategic suppliers to the Greek company Enaon.

A greater degree of maturity on the subject has allowed the Group to update contractual clauses relating to environmental aspects, requiring suppliers to adopt emission reduction targets based on validated scientific methodologies according to the guidelines published by the Science Based Targets initiative (SBTi) or, alternatively, to provide a disclosure of performance related to climate change.

The commitment of the Group and its suppliers was rewarded during the Chief Procurement Summit in 2023, with the Circular Procurement Awards, an important recognition in the ecological transition and in the achievement of the 2050 Net-Zero Carbon goal.

TECHNICAL QUALIFICATION AUDITS AND ESG AUDITS

The on-site audit procedure is mandatory for “Strong” Level Goods Categories, both during the qualification and renewal phases.

Further specific audits are conducted on the processes of the production sites of suppliers of goods and strategic suppliers for sustainability. All audits of suppliers are carried out in accordance with the AMFORI BSCI Guidelines – Audit Business Social Compliance Initiative.

For on-site audits, Italgas uses a third-party company, appointed and instructed to carry out the visit at the supplier’s premises, in accordance with ISO/IEC 17021-1:2015 “Conformity assessment – Requirements for bodies providing audit and certification of management systems”. In 2023, 90 third-party audits were planned and carried out. The trend increased significantly in 2023 (about 80% more than in 2021 and over 190% compared to 2022) as a result of the favourable post-pandemic situation and more effective and structured planning.

In 2023, in addition to the audits carried out by the partner identified above, who was entrusted with the list of suppliers to be audited, desk audits were also carried out, mainly on sustainability issues.

The purpose of the ESG on-desk audit is to check and verify the statements made by the supplier when completing the sustainability questionnaire at the qualification phase.

With regard to construction sites, 625 technical audits were carried out in 2023 in the areas of quality, environment and safety (367 audits carried out by an external company specialised in carrying out audits on construction sites and 258 audits carried out internally), of which 454 related to safety areas on sites. 88 suppliers with Strong qualification were audited focusing on quality, environment, health and safety aspects, as well as on the regular execution of works.

At the end of the audits, a report is drawn up in which the main critical points are reported according to three levels: Slight, Serious and Critical, and an action plan with areas for improvement is indicated.

* A part of its critical suppliers (strategic for the Group’s core business) are also considered “critical and strategic for sustainability”, considering the risk of non-compliance with obligations agreed at the qualification and/or contract execution stage on sustainability issues (climate, anti-corruption, unfair competition, labour practices, human rights, health and safety, working conditions).

CIRCULAR ECONOMY IN THE ITALGAS SUPPLY CHAIN

In 2023, the Italgas Group launched an inter-departmental project with the circular economy as its focus.

The project, launched in 2022, was developed by applying the four key principles related to circularity: eco-efficiency, re-use, recovery, recyclability. The main objective of the project is to re-think the processes and materials used up to now, replacing or integrating them with more sustainable alternatives.

The first step was to meet with some strategic suppliers in a dedicated workshop to share best practices and create opportunities for synergies on sustainability issues.

The circular economy team has led the development of the “green worksite” project by adopting, as of July 2023, the use of PE 100 Raised Crack Bio piping and recycled backfill materials in some of the worksites under execution in Sicily, Rome and some smaller urban centres, such as Lerici, Chioggia, Faenza and San Benedetto del Tronto for a total of approximately 4 kilometres of network. It is the Group’s goal to implement the adoption of this solution during 2024. The circular economy team is committed in scouting for new suppliers and solutions.

SUPPLIER TRAINING & INVOLVEMENT UNDERPINNING THE SUSTAINABLE PROCUREMENT STRATEGY

Sustainable procurement is a priority aspect of the ESG strategy, where constant supplier engagement and training play a key role in the social and economic development of the country, promoting a culture of sustainability in the supply chain.

To this end, Group Procurement has launched a training programme from 2021 (Training Hub, HSE Partner Lab). The Training Hub promotes a collaborative culture in the value chain, involving Tier I and Tier II suppliers. Procurement organises theme-based courses, workshops and webinars, courses on the use of the e-procurement platform and Vendor Rating sharing meetings, and is supported by the ESCo Geoside to share best practices and provide training on energy efficiency.

Italgas also promotes participation in association training courses, such as Valore D for gender equality and Sustainability Makers for professional qualification.

In 2023, 161 suppliers took part in training activities, including the Suppliers Convention, which was attended by 98 suppliers in attendance and 153 via streaming. During the event, the Supplier Driven Innovation initiative was presented, encouraging suppliers to submit ideas related to strategic issues. Virtuous suppliers were rewarded, including an award for a micro-enterprise in the SME path.

Italgas offered suppliers the opportunity to participate in cultural events, such as the show promoting safety at work entitled "*A chi esita*".

8.3.4 CREATE VALUE FOR THE TERRITORY AND COMMUNITIES

SUPPORT FOR LOCAL INITIATIVES

Italgas invests in the territories in which it operates by promoting social, cultural and environmental interventions, guaranteeing transparency, fairness and impartiality. The Group promotes the development and cohesion of the communities in which it works, acknowledging the central role played by stakeholders and their needs, to create social value that goes beyond the economic value.

The Company is constantly committed to assuring direct, continuous dialogue with the communities in which it works to contribute to their social and cultural development. The Groups collaborates with bodies, associations and foundations, no-profit organisations and other parties in the area to give rise to events, projects and ventures in favour of the protection of the environment, the spread of culture, technological and scientific innovation, research and training.

In order to better manage its relations with the territory and its activities of dialogue and listening to stakeholders, the Group has defined its own "Corporate Citizenship Policy" based on the general principles of the Code of Ethics – transparency, honesty, fairness and good faith – assigning clear responsibilities regarding the management of donations, sponsorships and territorial projects.

Through this Policy, the Group confirms and formalises its commitment in the following areas of intervention:

- Sensitisation towards topics relating to the energy segment and responsible use of resources.
- Preparation of training and education initiatives.

- Artistic-cultural support.
- Inclusion and health lifestyles through sport.

By supporting the initiatives on the territory, Italgas aims to strengthen its contribution to meeting specific Sustainable Development Goals (SDGs), constituting the 2030 Agenda of the United Nations.

In 2023, the Italgas Group's donations amounted to € 284 thousand, broken down as follows: Italgas, € 186 thousand; Toscana Energia, € 90 thousand; the Greek companies, altogether, € 8 thousand.

Among its initiatives, the Group is committed to supporting culture and art through its support for important entities such as the Fondazione Teatro Regio of Turin, the Fondazione Giorgio Cini of Venice, the Teatro del Maggio Musicale Fiorentino and the Teatro Verdi of Pisa.

As far as sponsorships are concerned, in 2023, contributions amounting to € 1,678,854 were made for initiatives mainly in the cultural, environmental and sports spheres, including: € 1,032 thousand from Italgas S.p.A.; € 55,854 from Italgas Reti; € 5,000 from Medea; € 420,000 from Toscana Energia; with € 166 thousand in total from the Greek companies.

Among the sponsored initiatives, Italgas supports sports and health promotion activities, for example through its collaboration with the Italian Tennis and Padel Federation (youth championships and ATP Finals) and the LILT association, cultural and artistic activities, with the Teatro Regio of Turin and the Greek Embassy in Italy, and lastly, it promotes environmental initiatives through its partnership with the Merita Meridione Italia ETS Foundation and through its participation in the Italian Energy Summit and the UNICIG Forum of the Italian Gas Committee.

Sponsorships and donations are managed in application of a formalised process governed by specific internal procedures that regulate all stages of the activity from the initial proposal and assessment through to contract management, monitoring and reporting. All sponsorship requests received, after assessment by the competent corporate departments, in accordance with the procedures, are submitted to the Chief Executive Officer of the company concerned for authorisation before the relevant contract is drawn up.

ITALGAS' COMMITMENT TO SCHOOLS

Italgas is committed to promoting educational projects in schools of different levels and grades in order to stimulate interest, raise awareness and foster awareness of the new challenges of sustainability and the use of energy resources.

ITALGAS MEETS UP WITH SCHOOLS

The training initiative, aimed at primary schools students in the 4th - 5th year classes up to the 3rd year of middle schools carried out in the year 2023, focused on highly topical issues such as energy transition and sustainability. Specifically, one or two training sessions were organised, each lasting about one and a half hours, which explored the following topics: the origin and use of methane gas as an energy source; the natural gas supply chain; the future of energy and the role of Italgas in the energy transition.

Eight primary and middle schools were involved, 3 in the northern area, 2 in the central area and 3 in the southern area, namely in the Municipalities of Fiano (TO), Varisella (TO), Dolo (VE), Guidonia (RM), Minturno (LT), Valderice (TP) and Busetto Palizzolo (TP), totalling 24 classes and 490 students.

LANUOVA@SCUOLA

Italgas and Medea also participated in 2023 in the LaNuova@Scuola project, promoted by the newspaper La Nuova Sardegna, to develop opportunities for information and training in the field dedicated to students and teachers from Sardinian schools.

The meetings were attended by 100 classes from 70 high schools, representing about a thousand students, who met with the top managers of Italgas and Medea. The project had multiple objectives, including: sharing information on the energy and gas distribution sector, to develop relations between the company and schools, to promote the development of talent and to support guidance around decisions about transitioning to university or looking for a job.

GEOSIDE WHITE ENERGY WEEK

School is an essential sphere for developing a culture of energy and environmental sustainability among the younger generations; this is why, since 2017, Geoside has been carrying out an important initiative involving more than 10,000 people including teachers, students and families. White Energy Week is an educational pathway aimed at students in upper secondary schools, in particular the 3rd and 4th years of scientific and technical upper schools, designed to raise awareness of energy efficiency and the most sustainable behaviour to adopt in everyday life. A path, therefore, that has a twofold purpose: to bring students closer to the "professions of the future" – such as the Energy Manager, the Expert in Energy Management or Energy Data Science – and to make them promoters of good environmental practices and energy solutions able to guarantee real energy and CO2 savings for buildings that are part of the Public Administration's building stock and are therefore available to the community. The 2023 figures show: 27 classes involved between Emilia Romagna and Sardinia, for a total of about 650 students. A total of 4,320 hours of training were provided.



TOSCANA ENERGIA: "LIVE SUSTAINABLY!"

For more than 15 years, Toscana Energia has been working alongside schools to accompany the new generations along paths dedicated to respecting the environment and its resources.

"Live sustainably!" is the initiative that Toscana Energia addressed to Primary Schools in 2023. After a few years, the project has finally returned with specialised trainers who, through a teaching workshop, have involved the children in an experiential and cognitive pathway on the themes of energy and energy saving, under the banner of a sustainable lifestyle.

From March to May, over 40 2nd, 3rd, 4th and 5th year classes were involved, totalling 1,000 pupils, in the provinces of Florence, Prato, Pisa and Pistoia.

HERITAGE LAB - TWO HUNDRED YEARS OF ENERGY MEMORY

What it is

It is the Italgas Historical Archive and Museum converging in Heritage Lab Italgas, the museum-laboratory and digitisation centre developed with specialised machinery and technologies from cultural heritage and applied to the massive digital acquisition of Corporate and Industrial Heritage. The digitisation of Italgas heritage involves four archivists, two palaeographers, three librarians and fifteen digitisation professionals.

Enhancement

Heritage Lab is a cultural player of reference for the enhancement and digitisation of heritage, leading the digital evolution through continuous research. The Historical Archive of three linear kilometres of documents, which is the objective of the digitisation process, collects documents from 1837 to 1990 concerning the first Turin companies for the production and distribution

of illuminating gas, and Italgas' subsidiaries and affiliated companies.

Building territorial networks

Heritage Lab is open to collaborations with other institutions. These include the partnership with the Leonardo Da Vinci Museum in Milan for the 2D and 3D digitisation of technical objects and tools, and the partnership with the Contemporary Jewish Documentation Centre Foundation in Milan for the joint analysis of the RSI journals, preserved by the Italgas newspaper library, digitised and published on the Heritage Lab website.

Collaboration

Opening to third-party services gave rise to the Martini & Rossi project with the digitisation of about 15,000 photos from the Terrazze Martini Milan fund, and the service for the Teatro Regio of Turin, as part of the MemoRegio

project, with the digital acquisition of about 5,000 posters and 2,000 sketches from the theatre's historical archive.

Involvement

The Heritage Lab team has been strengthened in its resources, selected through a professional retraining project, in order to facilitate targeted placement in the labour market.

Objectives

Heritage Lab achieved its target of 900,000 acquisitions by 2023, including digitisations of documents in the historical archive, the current archive and third-party services.

* For more information on the digitisation process and the technologies used, visit heritagelab.italgas.it

**<https://heritagelab.italgas.it/progetto/heritage-lab-digitalizza-manifesti-e-bozzetti-del-teatro-regio/>

COMMITMENT ON THE TERRITORY IN GREECE

The Group is actively engaged in the conservation of local biodiversity through green space and park regeneration projects, delivering both social and environmental benefits. These initiatives include the supply and planting of micro-plants for the regeneration of public spaces, the maintenance of restored public parks, the construction of new playgrounds, and actions to combat climate change. In addition, the Group offers financial support to municipalities and regions for the distribution of food vouchers to vulnerable groups as well as contributing to local cultural events. In response to the extreme weather events of Cyclone Daniel, the Group provided immediate social support in the affected areas of Volos, Larisa, Karditsa, Farsala, Palamas through the Voluntary Rescue Missions Group and the Greek Rescue Team, providing food and essential goods. Other initiatives include financial support to rescue groups following the serious train accident in the Tempi area of Thessaly, as well as to hospitals, non-profit organisations, and sponsorship of university research and national school competitions.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

The statement determining and breaking down Economic Value, generated directly by the Group, has been prepared reclassifying the consolidated profit and loss account as envisaged by the GRI Standards and distinguishing between three levels of economic value: generated/produced, distributed and withheld by the Group.

The economic value represents the comprehensive wealth created directly by the Group, which is thereafter split between the various stakeholders: suppliers, employees, lenders, shareholders, Public Administration and general public.

In 2023, the value generated by the Group was € 2,669.32 million (+14.7% on 2022), divided up between Italy, € 2,414.2 million and Greece € 255.0 million.

Of this, € 664.2 million have been kept in the company and € 2,005.0 million have been distributed to stakeholders. Specifically, of the total value distributed, 53.6% went to suppliers (€ 1,073.9 million), 14.9% to employees (€ 298.0 million), more than 15.0% to the shareholders (€ 300.0 million), approximately 11.3% to the Public Administration Authorities (€ 225.9 million) and 5.2% to lenders (€ 105.2 million) and € 2.0 million were allocated to the community.

RESPONSIBLE TAX APPROACH

Tax strategy

The Italgas Group has adopted a Tax Strategy¹⁴⁷, intended as a set of principles and guidelines inspired by the values of the Italgas Code of Ethics, transparency and legality, which guide not only fiscal choices, but also those related to the core business of the Group as a whole.

The objective of the tax strategy is to:

- guarantee the correct calculation and settlement of taxes due by law (and execution of connected obligations), well aware that management of taxes is an integral part of the broader economic and social role the Group performs in the Country it operates in;
- control the fiscal risk, understood as the risk of violating tax regulations or of operating against the principles or purposes of the tax system.

The core principles of the Tax Strategy, i.e. the principle of legality, dissemination at all levels of the Company, according to a top of the tone approach, and cooperation and transparency with the Tax Authorities, are set out in the following guidelines:

- compliance with the laws and principles of the tax system;
- non implementation of aggressive tax planning, intended to achieve conduct and transactions that result in purely artificial arrangements, aimed at obtaining an undue tax advantage;
- management and control of economic, financial, reputational and criminal risks related to taxation, with due professional diligence, ensuring the adequacy of resources, organisation and internal rules to oversee taxation;
- commitment to ensure, in all circumstances, honesty, cooperation, fairness and transparency in its relations with the Tax Authorities in order to foster the development of constructive and professional relationships;
- raising awareness of tax risk, promoting adequate training on tax issues, in order to effectively monitor the tax risk associated with business activities and to foster the creation of a corporate culture aimed at compliance with tax regulations and controlling the risk of non-compliance with the same.

Tax governance, risk control and management

In order to ensure adequate control of the tax variable, the Italgas Group has adopted an integrated internal control system on tax-related risks (the Tax Control Framework - TCF).

The TCF, which is part of the Italgas Group's broader Internal Control and Risk Management System, ensures the control of the tax variable with respect to the following risks:

- default risk, through the identification of potential tax risks and the control measures put in place to mitigate them;
- interpretive risk, through a specific internal procedure that assures the analysis of all tax uncertainties, internal decision-making escalation and discussions with the financial administration;

¹⁴⁷ The Strategy, approved by the Board of Directors of Italgas S.p.A., is published on the website <https://www.italgas.it/governance/etica-dimpresa/strategia-fiscale-e-tax-control-framework/>

- risk of tax fraud, through a specific internal procedure that identifies the channel for reporting any fraudulent conduct, the underlying analyses and the methods of communication with the Financial Administration.

Tax risk assessment activities are carried out periodically in order to ensure the effective operation of the TCF, involving all Company Departments responsible for business processes where tax risks exist, and annual monitoring activities are carried out with respect to the adequacy and effective operation of the controls in place.

The results of the TCF monitoring activities are formalised in the Annual Report and are subject to review by the Administrative Bodies, Corporate Control and Financial Administration.

Approach to the relationship with the tax authorities

With the aim of guaranteeing conditions for the implementation of the Tax Strategy, in 2019, a process was launched aimed at the gradual admission of Group Italian companies to the Cooperative Compliance regime referred to in Legislative Decree no. 128/2015, as amended and supplemented, aimed at reducing the level of uncertainty on tax issues and preventing the emergence of tax disputes through continuous and preventive forms of dialogue on situations likely to generate tax risks.

Currently, the companies under the Co-operative Compliance regime are: Italgas S.p.A., Italgas Reti S.p.A., Toscana Energia S.p.A., Medea S.p.A., BluDigit S.p.A. and Geoside S.p.A..

Remaining in the regime allows for continuous and preventive dialogue with the Tax Authority, and is an indicator of the constant application of those principles of fairness, transparency and awareness of the fulfilment of tax obligations that characterise the Company's behavioural policy in relation to the tax.

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ANNEXES

NFS ANNEXES



ITALGAS FOR THE FUTURE OF THE PLANET

FUGITIVE EMISSIONS

	u.m.	2021	2022	2023		
		Italy	Italy	Italy	Greece	Total Group
Total natural gas fugitive emissions	10 ⁶ Sm ³	7.7	6.9	6.1	0.9	7.0
Total fugitive emissions in CO ₂ eq	10 ³ tCO ₂	133.4	120.0	112.9	17.4	130.3
Gas distributed	10 ⁶ Sm ³	8,886.7	7,961.3	6,928.0	967.0	7,895.0
Gas Leakage Rate ¹⁴⁶	Sm ³ / Sm ³	0.087%	0.087%	0.088%	0.093%	0.089%
Network inspected ¹⁴⁷	km	72,145.2	76,491.0	87,118.0	9,094.0	96,212.0
Fugitive emissions of natural gas / network inspected	Sm ³ / km	106.7	90.5	70.0	99.0	72.8

SCOPE 2 EMISSIONS

	u.m.	2021	2022	2023		
		Italia	Italia	Italia	Grecia	Totale Gruppo
Location-based Scope 2 emissions	10 ³ tCO ₂	6.4	6.2	5.1	0.4	5.6
Market-based ¹⁴⁸ Scope 2 emissions	10 ³ tCO ₂	0.2	0.2	0.2	0.4	0.6

Market-based indirect Scope 2 emissions in Italy are in line with 2022, as a result of purchasing electricity produced from certified renewable sources, as certified by the Guarantees of Origin (GOs) management system.

¹⁴⁶ Calculated as the ratio between fugitive emissions of natural gas and volumes of gas distributed.

¹⁴⁷ For the Italian scope, it should be noted that the km of network used for this KPIs are related to the ARERA consistency declared in the previous year (i.e. for 2023 as at 31 December 2022). In addition, with reference to 2023, the kilometres of the boundaries that underlie the network investigated in a second phase were also accounted for. For the other gas network consistency of Medea, an average consistency for the previous year was considered, given the variability due to multiple conversions of the networks to natural gas during the year. For the Greek scope, the "inspected network" corresponds to the size of the network as at 31 December 2022.

¹⁴⁸ The calculation of market-based Scope 2 emissions requires that the emission quota related to renewable sources be null and that the residual mix type emission factor be used for the quota not covered by such contracts. (Source used – www.aib-net.org/sites/default/files/assets/facts/residual-mix/2022/AIB_2022_Residual_Mix_Results_inclAnnex.pdf). The figure is subject to updates following ARERA declarations.

STANDARD GRI 302-1 ENERGY CONSUMPTION WITHIN THE ORGANISATION

Energy consumed within the organization	u.m.	2021	2022	2023		
		Italy	Italy	Italy	Greece	Total Group
FUEL ENERGY CONSUMPTION						
Fuel energy consumption from non-renewable sources						
Fuel energy consumption for civil and industrial use	TJ	366.0	275.0	238.6	5.3	243.9
- of which natural gas for civil use	TJ	46.4	32.2	19.9	3.1	23.0
- of which natural gas for industrial use	TJ	306.4	232.5	210.3	2.2	212.5
- LPG and propane air for civil and industrial use	TJ	13.2	10.3	8.4	0	8.4
Fuel energy consumption for vehicles	TJ	137.2	111.5	106.0	10.8	116.8
- of which diesel	TJ	12.1	4.3	3.0	5.0	8.0
- of which petrol	TJ	16.2	32.1	28.2	1.4	29.6
- of which natural gas	TJ	108.9	75.1	74.8	4.4	79.2
Fuel energy consumption from renewable sources						
Fuel energy consumption from renewable sources	TJ	0.0	0.0	0.0	0.0	0.0
Total fuel energy consumption	TJ	503.2	386.5	344.6	16.1	360.7
CONSUMPTION OF PURCHASED ENERGY						
Consumption of purchased energy from non-renewable sources						
Electricity	TJ	1.9	1.6	1.6	2.5	4.1
Heating energy	TJ	0.3	0.3	0.2	0.0	0.2
Consumption of purchased energy from renewable sources						
Consumption of purchased energy from renewable sources	TJ	91.8	83.6	54.9	5.1	60.0
Total consumption of purchased energy	TJ	94.0	85.5	56.7	7.6	64.3
TOTAL ENERGY CONSUMED WITHIN THE ORGANISATION						
Total energy consumed within the organization	TJ	597.2	472.0	401.3	23.7	425.0

STANDARD GRI 302-3 ENERGY INTENSITY

Below are some energy intensity values in respect of different reference parameters:

Energy intensity calculated by comparing the total Group energy consumption with the gas distributed.

Energy intensity	u.m.	2021	2022	2023		
		Italy	Italy	Italy	Greece	Total Group
Total energy consumed within the organization	TJ	597.2	472.0	401.3	23.7	425.0
Gas distributed	10 ⁶ Sm ³	8,887	7,961	6,928	967	7,895
Total energy intensity	TJ/10 ⁶ Sm ³	0.0672	0.0593	0.0579	0.0245	0.0538

Energy intensity calculated by comparing the Group's total energy consumption for gas distribution¹⁴⁹ with the km of network, gas transported and re-delivery points active. These parameters give an indication of the amount of energy used to provide the service for each km of network, for each sm³ of transported gas and for each re-delivery point active.

Energy intensity	u.m.	2021	2022	2023		
		Italy	Italy	Italy	Greece	Total Group
Energy consumed within the organisation for gas distribution activities only ¹⁵⁰	TJ	571.0	448.2	380.7	23.7	404.4
km of network	km	72,503	71,481	72,212	7,924	80,136
Energy intensity per km of network	10 ³ TJ/km	7.88	6.27	5.27	2.99	5.05
Gas distributed	10 ⁶ Sm ³	8,887	7,961	6,928	967	7,895
Energy intensity for gas distributed	TJ/10 ⁶ Sm ³	0.0643	0.0563	0.0550	0.0245	0.0512
Active delivery points	Units 10 ⁶	571.0	448.2	380.7	23.7	404.4
Energy intensity per delivery point	TJ/units	7.604	7.213	7.221	0.599	7.820

¹⁴⁹ The total consumption of the Group for industrial, civil and fleet uses, excluding those relating to Nepta, Italgas Holding and Geoside, are included in order to represent the total energy consumed for gas distribution.

¹⁵⁰ A recalculation is planned for 2021 and 2022 in order to align the methodology to 2023.

CONSUMPTION AND EMISSIONS AVOIDED FOR THE GROUP

Italy

GRI 302-4 Reduction of energy consumption GRI 305-5 Reduction of GHG emissions ¹⁵¹	2021		2022		2023	
	TJ	tCO ₂ eq	TJ	tCO ₂ eq	TJ	tCO ₂ eq ¹⁵²
DANA	-	-	-	-	0.9	68.1
Click ToBeGreen	-	-	-	-	2.4	177.3
Network conversion from LPG to natural gas	69.4	669.5	97.3	938.2	81.0	781.2
Renovation of the site at Largo Regio Parco 11 and 9 in Turin	12.0	771.9	19.9	1,268.9	19.9	1,268.9
Management interventions and optimisation of the use of civil buildings	-	-	11.9	698.0	20.1	1,132.2
Management interventions and optimisation of the use of traditional plants with preheating section	-	-	30.4	1,712.2	20.0	1,131.9
Installation of smart meters	5.2	379.8	5.2	382.1	5.7	417.7
Replacement of lighting with LED bulbs	0.5	36.9	0.5	36.9	0.5	36.9
Photovoltaic - Self-consumption	0.5	33.4	0.5	33.4	0.5	33.4
Total emissions avoided	87.6	1,891.5	165.7	5,069.7	70.0	5,047.6

STANDARD GRI 302-2 ENERGY CONSUMPTION OUTSIDE THE ORGANISATION

Geoside's consumption of heat management and energy services contracts is shown below. These contracts provide for the registration of gas and district heating supplies to Geoside in order to provide the heating service to the managed buildings.

	2021		2022		2023	
Energy services/heat management district heating (MWh/TJ)	-	-	9,561.2	34.4	7,020.2	25.3
Energy services/heat management (Sm ³ of methane/TJ)	-	-	2,984,971	117.6	2,296,993	90.5

¹⁵¹ Values for consumption and emission reductions are based on the year 2019 as a baseline.

¹⁵² I valori delle emissioni sono stati calcolati utilizzando i fattori emissivi ISPRA 2023 - Tabella parametri standard nazionali; parametri standard - combustibili/materiali.

STANDARD GRI 305-1 DIRECT (SCOPE 1) GHG EMISSIONS

STANDARD GRI 305-2 ENERGY INDIRECT (SCOPE 2) GHG

STANDARD GRI 305-3 OTHER INDIRECT (SCOPE 3) GHG EMISSIONS

STANDARD GRI 305-4 GHG EMISSIONS INTENSITY

Direct and indirect emissions and other GHG emissions	GRI Standard	u.m.	2021			2022			2023
			Italy	Italy	Greece	Italy	Greece	Total Group	
Total Scope 1	305-1	10 ³ t CO _{2eq}	160.5	141.0	6.6	131.5	18.2	149.7	
Total Scope 2 ¹⁵³	305-2	10 ³ t CO _{2eq}	0.2	0.2	0.3	0.2	0.4	0.6	
Total Scope 1 and Scope 2		10 ³ t CO _{2eq}	163.8	141.2	6.9	131.7	18.6	150.3	
Scope 3 – Supply chain	305-3	10 ³ t CO _{2eq}	147.2	137.7	–	129.0	– ¹⁵⁴	–	
Scope 3 - Fuel-and-energy-related activities (not included in Scope 1 or 2) and Business travel		10 ³ t CO _{2eq}	4.9	4.5	–	5.4	0.6	6.0	
Total Scope 1, Scope 2 and Scope 3		10 ³ t CO _{2eq}	315.9	283.4	6.9	266.1	–	–	
Carbon intensity ¹⁵⁵	305-4	tCO _{2eq} /10 ⁶ Sm ³	18.1	17.7	–	19.0	19.2	19.0	

GRI 305-7 NITROGEN OXIDES (NO_x), SULFUR OXIDES (SO_x), AND OTHER SIGNIFICANT AIR EMISSIONS

tNO _x emissions	u.m.	2021		2022		2023	
		Italy	Italy	Italy	Greece	Total Group	
Civil	tNO _x	1.29	0.90	0.84	0.09	0.93	
Industrial	tNO _x	16.41	12.46	12.24	0.17	12.41	
Vehicles	tNO _x	3.36	1.98	1.72	0.70	2.42	
Total	tNO _x	21.10	15.90	14.80	0.98	15.78	

SO_x and VOC emissions are not significant and/or relevant and are therefore considered negligible.

¹⁵³ Scope 2 market-based.

¹⁵⁴ The Group has also started specific training and involvement activities with Enaon's first suppliers in Greece; for 2023, the Scope 3 – supply chain value is 49.4 10³ tCO₂, calculated using the spend-based methodology and, as it is the first year of reporting for Greece, with country-specific emission factors, from CEDA v. 4.01. The decision was made not to include these values in the data reported in this table, as they do not yet represent comparable data in terms of involvement with suppliers in Italy, preferring to work during 2024 to achieve even greater involvement.

¹⁵⁵ Calculated as Scope 1 and Scope 2 emissions in relation to transported gas volumes.

REMEDIATION

Italy

Main data on reclamation	2021		2022		2023	
	n	m ²	n	m ²	n	m ²
Sites involved by reclamation works or to be reclaimed	30	1,206,677	29	1,161,962	27	1,044,255
Certified reclamation works	0	0	2	10,659	0	0
Approved characterisation plans	26	1,143,810	26	1,143,810	24	1,032,576
Approved risk analysis (152/2006) or approved preliminary reclamation projects (pursuant to 471/99)	21	1,049,533	22	1,051,820	20	934,113
Approved operative reclamation projects (152/2006) or approved final reclamation projects (pursuant to 471/99)	18	1,036,482	20	1,041,161	19	933,856
Operative safety measures	1	257	1	257	1	257
Soil emergency safety measures	0	0	0	0	0	0
Groundwater safety measures	11	0	12	0	12	0

No reclamation activities have been reported in Greece for 2023.

ITALGAS FOR THE FUTURE OF PEOPLE

STANDARD GRI 416-1 ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF PRODUCT AND SERVICE CATEGORIES

Length of network inspected compared to previous year's network size – Italgas Reti	u.m.	Target ARERA ¹⁵⁶	2021	2022	2023 ¹⁵⁷
High and medium pressure network inspected	%	33% (100% in three mobile years)	98.3	99.5	99.7
Low pressure network inspected	%	25% (100% in four mobile years)	98.2	99.9	100
Respect for maximum arrival time at the place of the call for emergency intervention	%	>90	99.5	99.7	99.6
Quality standards established by ARERA (ARERA obligation 569/19 subsection 14.2) - Toscana Energia	u.m.	Target ARERA	2021	2022	2023
High and medium pressure network inspected	%	33% (100% in three mobile years)	95.8	96.2	100.0
Low pressure network inspected	%	25% (100% in four mobile years)	98.0	98.8	100.0
Respect for maximum arrival time at the place of the call for emergency intervention	%	>90	98.0	98.9	98.7

¹⁵⁶ Quality standard established by ARERA (ARERA obligation 569/19 subsection 14.2). In accordance with Annex A to Resolution 569/2019 (RQDG), the distributor is required to comply with service obligations relating to the frequency of network inspection, equal respectively to 100% in the 3 mobile years for high and medium pressure networks and 100% in the 4 mobile years for low pressure networks (subsection 14.2, letters a) and b) of the RQDG).

¹⁵⁷ The amount represents the best estimate at the closing date of the document and is subject to adjustment upon declaration to the Authority.

Quality standard established by ARERA (ARERA obligation 569/19 subsection 14.11) - Medea	u.m.	Target ARERA	2021	2022	2023
High, medium and low pressure network inspected – Other Gases	%	25% (100% in four mobile years)	59.7	76.8	100
High and medium pressure network inspected - Natural gas	%	33% (100% in three mobile years)	100	99.1	98.0
Low pressure network inspected - Natural gas	%	25% (100% in four mobile years)	100	100	99.0
Respect for maximum arrival time at the place of the call for emergency intervention	%	>90	99.5	99.8	100.0

The above data are constructed using the methodology required by ARERA, i.e. taking the total kilometres of network that have undergone at least one inspection during the year into consideration in the numerator. However, it should be noted that, taking into consideration also the portions of the network inspected more than once during the year, the KPI reaches a value equal to 120% of the total network consistency¹⁵⁸.

Quality standards established by ARERA – Italgas Reti	u.m.	2021	2022	2023
Respect for maximum time set for the performance of services subject to specific standards	%	98.6	97.2	99.2
Respect for punctuality in appointments made with customers	%	99.0	99.5	99.6

Quality standards established by ARERA - Toscana Energia	u.m.	2021	2022	2023
Respect for maximum time set for the performance of services subject to specific standards	%	99.7	99.8	99.7
Respect for punctuality in appointments made with customers	%	99.7	99.8	99.7

PERSONNEL

Employees (headcount) GRI 2-7	u.m.	2021			2022 ¹⁵⁹			2023		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Part time	n.	7	36	43	5	33	38	7	34	41
Temporary	n.	-	-	-	0	0	0	-	-	-
Permanent	n.	7	36	43	5	33	38	7	34	41
Apprenticeship	n.	-	-	-	0	0	0	-	-	-
Full time	n.	3,257	604	3,861	3,398	802	4,200	3,417	839	4,256
Temporary	n.	-	1	1	13	4	17	39	11	50
Permanent	n.	3,049	537	3,586	3,202	745	3,947	3,238	793	4,031
Apprenticeship	n.	208	66	274	183	53	236	140	35	175
Total	n.	3,264	640	3,904	3,403	835	4,238	3,424	873	4,297

	2021	2022 ¹⁶⁰	2023
Temporary	0%	0%	1%
Permanent	93%	94%	95%
Apprenticeship (direct employees)	7%	6%	4%

¹⁵⁸ Network consistency as at 31 December 2022

¹⁵⁹ Overall data for the Italian and Greek scope.

¹⁶⁰ Overall data for the Italian and Greek scope.

1 DIRECTORS' REPORT

Employees (headcount) GRI 2-7	u.m.	2021			2022 ¹⁶¹			2023		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Temporary contract	n.	0	1	1	13	4	17	39	11	50
Italy	n.	0	1	1	4	1	5	3	0	3
Greece	n.	0	0	0	9	3	12	36	11	47
Permanent contract*	n.	3,056	573	3,629	3,207	778	3,985	3,245	827	4,072
Italy	n.	3,056	573	3,629	2,837	599	3,436	2,865	639	3,504
Greece	n.	0	0	0	370	179	549	380	188	568
Apprenticeship (direct employees)	n.	208	66	274	183	53	236	140	35	175
Italy	n.	208	66	274	183	53	236	140	35	175
Greece	n.	0	0	0	0	0	0	0	0	0
Total	n.	3,264	640	3,904	3,403	835	4,238	3,424	873	4,297

*Permanent contracts also include part-time contracts.

Employees by average seniority	u.m.	2021						2022			2023		
		Italy			Italy			Greece			Total Group		
		Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Average age of employees (age)	n.	50	47	49.5	49	45	48	47	44	46	48	45	47
Average seniority of service (years)	n.	24	19	23.2	22	16	21	15	13	15	21	15	19

During 2023, 398 people joined the Group companies, of whom 384 were recruited from the market, 8 by acquisition and 6 following their return from voluntary leave.

New recruits GRI 401-1	u.m.	2021			2022 ¹⁶²			2023		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Italy	n. - %*	143 - 4%	74 - 12%	217 - 6%	238 - 8%	89 - 14%	327 - 9%	211 - 7%	76 - 11%	287 - 8%
under 30 years	n. - %*	89 - 25%	38 - 46%	127 - 28%	147 - 34%	40 - 45%	187 - 36%	101 - 22%	23 - 35%	124 - 24%
between 30 and 50 years	n. - %*	53 - 7%	35 - 15%	88 - 9%	89 - 11%	46 - 17%	135 - 13%	109 - 12%	51 - 16%	160 - 13%
over 50 years	n. - %*	1 - 0%	1 - 0%	2 - 0%	2 - 0%	3 - 1%	5 - 0%	1 - 0%	2 - 1%	3 - 0%
Greece	n. - %*	-	-	-	2 - 1%	3 - 2%	5 - 9%	66 - 16%	31 - 16%	97 - 16%
under 30 years	n. - %*	-	-	-	1 - 20%	0 - 0%	1 - 8%	12 - 86%	11 - 110%	23 - 96%
between 30 and 50 years	n. - %*	-	-	-	1 - 0%	3 - 2%	4 - 1%	50 - 18%	20 - 14%	70 - 16%
over 50 years	n. - %*	-	-	-	0 - 0%	0 - 0%	0 - 0%	4 - 3%	0 - 0%	4 - 3%
Total	n. - %*	-	-	-	-	-	-	277 - 8%	107 - 12%	384 - 9%
under 30 years	n. - %*	-	-	-	-	-	-	113 - 24%	34 - 45%	147 - 27%
between 30 and 50 years	n. - %*	-	-	-	-	-	-	159 - 14%	71 - 15%	230 - 14%
over 50 years	n. - %*	-	-	-	-	-	-	5 - 0%	2 - 1%	7 - 0%

* Only market entries are considered. Rate calculated as: new hires/employees at 31 December of each year for each cluster.

¹⁶¹ Overall data for the Italian and Greek scope.

¹⁶² Greek scope included from September 2022.

New hires by level*	2021	2022 ¹⁶³	2023
Executives	5	4	4
Managers	13	16	25
Office Workers	146	226	277
Field Workers	53	86	78
Total	217	332	384

*Only market entries are considered.

The increase continues in the absolute value of the number of university graduates, while those who have completed secondary school or other schooling levels, declines.

Employees by level of education	u.m.	2021			2022 ¹⁶⁴			2023		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
University graduates	n.	455	308	763	601	405	1,006	842	548	1,390
Secondary school graduates	n.	1,671	263	1,934	1,692	335	2,027	1,717	283	2,000
Other (below secondary school diploma)	n.	1,138	69	1,207	1,110	95	1,205	865	42	907
Total	n.	3,264	640	3,904	3,403	835	4,238	3,424	873	4,297

In 2023, 53% of new hires in Italy were aged under 30 years old: this figure is consistent with the trend recorded in the three-year period 2020-2022 and shows constant growth.

% employees by age bracket out of total employees	u.m.	2021	2022 ¹⁶⁵	2023
Under 30 years	%	11.4	12.6	12.7
Between 30 and 50 years	%	24.8	34.3	38.3
Over 50 years	%	63.8	53.1	49.0

In contrast, 334 people left the Group, mainly through retirement and voluntary resignations.

Outgoing workers GRI 401-1	u.m.	2021			2022 ¹⁶⁶			2023		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Italy	n. - %*	263 - 8%	35 - 5%	298 - 8%	284 - 9%	51 - 8%	335 - 9%	236 - 8%	57 - 8%	293 - 8%
under 30 years	n. - %*	6 - 2%	9 - 11%	15 - 3%	21 - 5%	9 - 10%	30 - 6%	17 - 4%	9 - 14%	26 - 5%
between 30 and 50 years	n. - %*	13 - 2%	2 - 1%	15 - 2%	40 - 5%	13 - 5%	53 - 5%	41 - 5%	20 - 6%	61 - 5%
over 50 years	n. - %*	244 - 11%	24 - 7%	268 - 11%	223 - 12%	29 - 10%	252 - 12%	178 - 11%	28 - 10%	206 - 11%
Greece	n. - %*	-	-	-	16 - 4%	9 - 5%	25 - 5%	28 - 7%	13 - 7%	41 - 7%
under 30 years	n. - %*	-	-	-	5 - 100%	2 - 29%	7 - 64%	2 - 14%	5 - 50%	7 - 29%
between 30 and 50 years	n. - %*	-	-	-	11 - 4%	7 - 5%	18 - 5%	14 - 5%	8 - 5%	22 - 5%
over 50 years	n. - %*	-	-	-	0 - 0%	0 - 0%	0 - 0%	12 - 10%	0 - 0%	12 - 8%
Total	n. - %*	-	-	-	-	-	-	264 - 8%	70 - 8%	334 - 8%
under 30 years	n. - %*	-	-	-	-	-	-	19 - 4%	14 - 18%	33 - 6%
between 30 and 50 years	n. - %*	-	-	-	-	-	-	55 - 5%	28 - 6%	83 - 5%
over 50 years	n. - %*	-	-	-	-	-	-	190 - 11%	28 - 9%	218 - 10%

* Termination by mutual agreement and other outgoings. Rate calculated as: leavers/employees as at 31 December every year for each cluster.

¹⁶³ Greek scope included from September 2022.

¹⁶⁴ Overall data for the Italian and Greek scope.

¹⁶⁵ Overall data for the Italian and Greek scope.

¹⁶⁶ Greek scope included from September 2022

1 DIRECTORS' REPORT

The Group's turnover has remained largely stable over the years; the slight increase recorded is mainly related to the company's demographic curve leading to a higher number of retirements in recent years.

	u.m.	2021	2022	2023
		Italy	Italy	Greece
				Total Group
Voluntary outgoing turnover rate*	%	0.74	2.10	0.35
				2.40

Turnover rate* GRI 401-1	u.m.	2021	2022	2023
		Italy	Italy	Greece ¹⁶⁷
				Total Group
Men	%	8	9	4.8
Women	%	5.6	7.8	6.6
Italy	%	7.6	8.8	NA
Greece	%	NA	NA	5.4
Total	%	NA	NA	NA
				7.9

*Calculated as the number of incoming workers plus the number of outgoing workers on the average workforce * 100 for each cluster.

% women of all employees, by professional category¹⁶⁸	u.m.	2021	2022 ¹⁶⁹	2023
Executives	%	17.2	18.2	21.8
Managers	%	19.7	23.7	28.4
Office Workers	%	26.0	30.0	29.5
Field Workers	%	0.4	0.7	0.5
Total	%	16.4	19.7	20.3

TRAINING

Training	u.m.	2021	2022 ¹⁷⁰	2023
Total hours of training provided	hours	112,379	132,396	173,330
<i>of which women</i>	hours	17,571	21,421	29,798
<i>of which men</i>	hours	94,808	110,975	143,533

Breakdown of training hours delivered by subject and type	u.m.	2021	2022 ¹⁷¹	2023
Training on HSEQ topics	hours	41,921	43,977	55,202
<i>Attendances</i>	no.	6,715	9,117	16,989
Training on the Code of Ethics - Model 231 - Anti-corruption - Antitrust	hours	1,950	4,164	5,286
<i>Attendances</i>	no.	1,686	4,356	8,855
Managerial training	hours	14,908	21,006	39,023
<i>Attendances</i>	no.	5,959	8,083	16,052
Technical/specialised training	hours	28,768	29,437	46,686
<i>Attendances</i>	no.	3,252	3,824	8,153
Training on digitisation topics	hours	24,832	33,812	27,133
<i>Attendances</i>	n	18,449	59,351	19,671

¹⁶⁷ The 2022 Greek figure includes income and expenditure as of September 2022.

¹⁶⁸ Positions of responsibility are included in the categories of "Manager" and "Office worker".

¹⁶⁹ Overall data for the Italian and Greek scope.

¹⁷⁰ Greek scope included from September 2022.

¹⁷¹ Greek scope included from September 2022.

Standard GRI 404-1 Average hours of training per year per employee	u.m.	2021						2022			2023		
		Italy			Italy			Greece			Total Group		
		Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total employees	hours/no.	29	28	29	36	32	35	5	4	5	42	34	40
Executives	hours/no.	24	28	25	30	29	30	3	4	3	42	43	42
Managers	hours/no.	27	27	27	36	44	38	9	13	10	42	46	43
Office Workers	hours/no.	25	27	26	34	30	33	4	3	4	39	32	37
Field Workers	hours/no.	34	56	34	39	64	39	5	4	5	45	51	45

DISPUTES WITH EMPLOYEES

Employee disputes	u.m.	2021	2022 ¹⁷²	2023
Disputes started during the year	no.	19	22	31
Disputes closed during the year	no.	36	27	16
Total disputes pending as at 31/12 employees and former employees	no.	24	22	36

WELFARE

Standard GRI 401-3 Parental leave	u.m.	2021			2022 ¹⁷³			2023		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Total open positions	no.	229	73	302	212	63	275	211	71	282
Positions opened during the year	no.	41	21	62	15	13	28	21	8	29
Positions closed during the year	no.	188	52	240	201	50	251	190	63	253
for return	no.	179	49	228	179	44	223	184	62	246
for contract end	no.	9	3	12	22	6	28	6	1	7

DIVERSITY

Indicatori di diversità	2021		2022	2023	Notes
	Italy	Italy	Greece	Total Group	
% women of total workforce	16.4%	17.8%	32.4%	20.3%	% total workforce
% women in positions of responsibility	22.3%	24.73%	25.9%	28.8%	% of all positions of responsibility
% women in junior positions of responsibility	23.1%	25.7%	29.2%	30.2%	% of all positions of junior responsibility (first level)
% women in top management positions	17.2%	19.7%	12.5%	21.8%	% of all top management positions (two levels from CEO)
% women in management positions in revenue-generating departments	18.0%	20.8%	25.1%	24.9%	% of this type of position
% women in STEM positions	35.8%	35.9%	29.4%	32.4%	% of this type of position

¹⁷² Greek scope included from September 2022.

¹⁷³ Greek scope included from September 2022.

BREAKDOWN OF THE WORKFORCE BY NATIONALITY

2021 - Nationality	% of total workforce	% managerial positions
Italian	99.2	99.7
Greek	0.0	0.0
Swiss	0.2	0.0
Other nationalities	0.6	0.3

2022 - Nationality	% of total workforce	% managerial positions
Italian	86.0	82.1
Greek	13.1	17.6
Swiss	0.2	0.7
Other nationalities	0.7	0.3

2023 - Nationality	% of total workforce	% managerial positions
Italian	84.8	87.3
Greek	14.2	12.5
Swiss	0.2	-
Other nationalities	0.8	0.2

Standard GRI 405-1 Diversity amongst employees (headcount)	u.m.	2021			2022 ¹⁷⁴			2023		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	n.	53	11	64	63	14	77	61	17	78
under 30 years	n.	0	0	0	0	0	0	0	0	0
between 30 and 50 years	n.	23	8	31	30	7	37	30	10	40
over 50 years	n.	30	3	33	33	7	40	31	7	38
Managers	n.	248	61	309	286	89	375	257	102	359
under 30 years	n.	0	0	0	0	0	0	0	1	1
between 30 and 50 years	n.	87	33	120	109	53	162	114	67	181
over 50 years	n.	161	28	189	177	36	213	143	34	177
Office Workers	n.	1,599	563	2,162	1,689	723	2,412	1,782	747	2,529
under 30 years	n.	147	80	227	188	90	278	205	70	275
between 30 and 50 years	n.	386	194	580	572	349	921	690	397	1,087
over 50 years	n.	1,066	289	1,355	929	284	1,213	887	280	1,167
Field workers	n.	1,364	5	1,369	1,365	9	1,374	1,324	7	1,331
under 30 years	n.	216	3	219	250	5	255	266	5	271
between 30 and 50 years	n.	238	0	238	333	2	335	336	1	337
over 50 years	n.	910	2	912	782	2	784	722	1	723
Total	n.	3,264	640	3,904	3,403	835	4,238	3,424	873	4,297

¹⁷⁴ Overall data for the Italian and Greek scope.

REMUNERATION – GROUP TOTAL

GRI 405-2 Ratio of basic salary and remuneration of women to men	u.m.	2023
Ratio of remuneration¹⁷⁵		
Executives	%	98.50
Managers	%	87.9
Office Workers	%	89.9
Field Workers	%	72.3
Ratio of basic salary¹⁷⁶		
Executives	%	97.90
Managers	%	93.20
Office Workers	%	95.60
Field Workers	%	77.80

PROTECTED CATEGORIES

Employees belonging to protected categories	u.m.	2021			2022 ¹⁷⁷			2023		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Employees belonging to protected categories	n.	145	34	179	125	33	158	123	40	163
% employees pertaining to protected categories out of total employees	u.m.				2021		2022¹⁷⁸			2023
Employees belonging to protected categories				%	4.6		3.7			3.8%

ITALGAS FOR A SUSTAINABLE FUTURE TOGETHER

MEMBERSHIP FEES

Below is a summary of the expenses incurred in 2023 for joining trade associations. As of 2022, the values of the company Toscana Energia are also included, and as of 2023, the values of the Greek companies are consolidated as well.

Membership fees and for representation of interests	u.m.	FY 2021	FY 2022	FY 2023
Direct lobbying activities	€	0	0	0
Representation of interests through third parties	€	90,640.00	111,094.00	198,542.00
Support to political parties or candidates on a local, regional or national level	€	0	0	0.00
Confindustria and trade associations	€	421,946.36	519,397.00	534,499.00
Scholars and think tanks	€	101,700.00	172,600.00	183,600.00
Technical associations and Other	€	50,349.00	45,913.00	47,213.00
Total	€	664,635.36	849,004.00	963,854.00
<i>Data coverage (percentage coverage with respect to business scope)</i>	%	100%	100%	100%

¹⁷⁵ Ratio of the average fixed + variable remuneration and the total amount paid to employees between women and men.

¹⁷⁶ Ratio of average fixed remuneration between women and men.

¹⁷⁷ Overall data for the Italian and Greek scope.

¹⁷⁸ Overall data for the Italian and Greek scope.

1 DIRECTORS' REPORT

Of which for Italy

Contributions to industrial and trade associations¹⁷⁹	u.m.	CORPORATE POSITION	FY 2021	FY 2022	FY 2023
Proxigas (formerly Anigas)	€	Support	362,529.00	420,000.00	420,000.00
Confindustria	€	Support	59,267.36	69,247.00	76,247.00
CISPTEL	€	Support	0	30,000.00	30,000.00
Assopetroli	€	Support	0	0	5,500.00
CNA	€	Support	150	150	150
Anie	€	Support	0	0	0

Other significant expenses	TYPE	FY 2021	FY 2022	FY 2023
Eurogas	€ Representation of interests	0	50,000.00	80,000.00
GD4S	€ Representation of interests	53,000.00	35,900.00	52,500.00
FSR	€ Academic	35,000.00	35,000.00	33,000.00
IGI	€ Think Tank	0	30,000.00	30,000.00
Assonime	€ Representation of interests	24,990.00	24,990.00	24,990.00
MIP – Milan Politechnic	€ Academic	20,000.00	20,000.00	20,000.00
Friends of LUISS	€ Think Tank	0	20,000.00	20,000.00
Valore D	€ Think Tank	15,000.00	15,000.00	15,000.00
Foundation for Digital Sustainability	€ Think Tank	0	20,000.00	0
CCE	€ Representation of interests	12,500.00	0	0

Of which for Greece

Contributions to industrial and trade associations	u.m.	CORPORATE POSITION	FY 2021	FY 2022	FY 2023
Federation of Industries of Greece (SBE)	€	Support	0	0	1,502.00
Association of Industries of Thessaly and Central Greece (SBTHSE) (Local)	€	Support	0	0	600
STHEB (Association of Thessalian Businesses and Industries) (Local)	€	Support	0	0	500

Other significant expenses	TYPE	FY 2021	FY 2022	FY 2023
GD4S	€ Representation	0	0	26,500.00
Observatoire Mediterranee de l'Energie (OME)	€ Think Tank	0	0	11,500.00
EUROGAS	€ Representation	0	0	7,500.00
GEODE	€ Representation	0	0	7,098.00
CSR HELLAS	€ Think Tank	0	0	1,500.00
Alliance for Greece	€ Other	0	0	1,000.00

¹⁷⁹ Proxigas data 2023 not final; Confindustria 2021 data restated following the UI Rome agreement.

SUPPLY CHAIN

Standard GRI 308-1 – New suppliers that were screened using environmental criteria

Standard GRI 414-1 – New suppliers that were screened using social criteria

All Italgas suppliers¹⁸⁰ are assessed according to social criteria, regardless of year and category.

On the other hand, for new suppliers in 2023 assessed using environmental criteria, the percentage is 34% for the “Goods” category, 70% for the “Works” category and 40% for the “Services” category.

Value of contracts issued by the Group in 2023 by type (€ million)¹⁸¹

Category	2021	2022	2023
Assets	272	293	202
Works	733	674	257
Services	427	303	270
Total	1,432	1,270	730

Total number of qualified suppliers (Italy)

Category	Subcategory	2021	2022	2023
Assets	critical	78	85	68
	not critical	396	421	281
Works	critical	99	140	108
	not critical	376	394	333
Services	critical	261	228	54
	not critical	1,141	1,299	1,023
Total		2,351	2,567	1,867

Total suppliers qualified according to environmental criteria (Italy)

Category	2021	2022	2023
Assets	139	111	111
Works	155	350	273
Services	487	372	330

Total qualified suppliers in the reference year (Italy)

Categoria	2021	2022	2023
Assets	114	87	169
Works	201	120	159
Services	459	287	398

¹⁸⁰ The data refer to the Italian scope; for Greece, a process of alignment and standardisation with the Group's qualification procedures is underway.

¹⁸¹ For 2023, data for Greek suppliers have also been consolidated, while for 2022, the following data relate only to Italy.

TOTAL QUALIFIED SUPPLIERS (GREECE)

Category	Type	2023
Assets	Qualified suppliers	165
	Qualified suppliers (only strong suppliers)	19
Works	Qualified suppliers	27
	Qualified suppliers (only strong suppliers)	25
Services	Qualified suppliers	366
	Qualified suppliers (only strong suppliers)	0
Total	Tot qualified suppliers in vendor list 31.12.2023	558
	Tot qualified suppliers in vendor list 31.12.202 (strong)	44

Supplier Screening ¹⁸²	2022	2023
Tier-1 suppliers	919	1,653
Significant Tier-1 suppliers	215	307
% of expenditure to significant Tier-1 suppliers	85	77
Significant non-Tier-1 suppliers	34	60
Total significant suppliers (Tier-1 and non-Tier-1)	249	367

Supplier Assessment ¹⁸³	2022	2023
Total suppliers assessed through desk assessments/on-site assessments	215	307
% of significant suppliers assessed	86.35	83.65
Suppliers assessed with actual or potential significant negative impacts	215	307
% of suppliers with actual or potential significant negative impacts with corrective actions/improvement plan granted	74	77
Suppliers with actual or potential significant negative impacts with whom the relationship was terminated	5	2

Corrective plans ¹⁸⁴	2022	2023
Total suppliers supported through the implementation of corrective plans	215	307
% of suppliers with actual or potential significant negative impacts with corrective actions implemented	100	100

Capacity-building programmes	2022	2023
Total suppliers supported through the implementation of corrective plans	215	307
% of significant suppliers engaged in capacity-building programmes	86.35%	83.65%

SPONSORSHIPS AND DONATIONS

Sponsorships and donations	u.m.	2021	2022 ¹⁸⁵	2023
Sponsorships	€ thousands	970	1,443	1,679
Liberal donations	€ thousands	324	771	284
Total	€ thousands	1,294	2,214	1,963

¹⁸² The 2022 data refer to Italy only, the 2023 data refer to both Italy and Greece.

¹⁸³ The 2022 data refer to Italy only, the 2023 data refer to both Italy and Greece.

¹⁸⁴ The 2022 data refer to Italy only, the 2023 data refer to both Italy and Greece.

¹⁸⁵ Greek scope included from September 2022.

ECONOMIC VALUE

Standard GRI 201-1 Direct economic value generated and distributed¹⁸⁶

€ Million	2021	2022	2023	% Change 2022-2023
Distributed				
Suppliers	867.5	869.0	1,073.9	23.6
Personnel	267.4	278.9	298.0	6.8
Lenders	59.5	61.9	105.2	70.0
Shareholders	252.9	269.8	300.0	11.2
Public Administration	232.5	233.1	225.9	-3.1
Community	1.3	2.2	2.0	-9.7
Withheld				
Company	566.1	612.4	664.2	8.5
Total value generated	2,247.2	2,327.3	2,669.2	14.7

COUNTRY BY COUNTRY REPORTING

In order to provide maximum transparency on how it manages taxation, Italgas discloses its financial, economic and tax information for each jurisdiction in which it operates.

As part of the ESG approach adopted and, in particular, in light of the importance attributed to transparency in tax matters, Italgas provides below a disclosure of income taxes – both accrued and paid – as well as other information relating to each jurisdiction in which it operates.

The information, referring to the year 2022 as required by Standard GRI 207-4, is presented in accordance with the *Country-by-Country Reporting – CbCR*, provided for by Article 1, subsections 145 and 146 of Law no. 208 of 28 December 2015.

¹⁸⁶ This value includes all companies within the scope of consolidation. For 2022, the value also includes the Enaon Group's contribution for Sep-Dec 2022.

GRI 207-4 Country-by-country reporting

	Description of the organisation's main activities	Employees (n) [A]	Revenues from sales to third parties [B]	Revenues from intragroup transactions [C]	Profit/loss before tax [D]	Tangible assets other than cash and cash equivalents [E]	Income taxes paid [F]	Corporate Income Taxes Accrued on Profits/Losses [G]
ITALY	The Italgas Group operates mainly in the gas distribution sector through the companies Italgas Reti S.p.A., Toscana Energia S.p.A. and Medea S.p.A.. The Group is also active in the energy efficiency sector through Geoside S.p.A., in the water sector through Nepta S.p.A. and in the ICT sector through Bludigit S.p.A.	3,799	2,231,184,221	242,288,954	835,618,860	359,806,446	145,934,412	165,679,178
GREECE*	Enaon operates in the gas distribution sector	691	84,178,078	774,419	19,972,580	23,153,809	7,016,478	–

* Income statement figures for Greece pertain to the four months post-acquisition (September 2022).

[A] The number of employees is calculated using the Full Time Equivalent (FTE) methodology.

[B] [C] The items "Revenues from sales to third parties" and "Revenues from intra-group transactions" include not only the positive items relating to routine operations but also extraordinary and financial income. Instead, dividends received from other Group entities are not included.

[D] [E] The items "Profit/loss before tax" and "Tangible assets other than cash and cash equivalents before tax" are represented on an integrated basis and include transactions implemented with other Group entities.

[F] The item "Income taxes paid" on the basis of the cash criterion includes tax paid by each Group entity during the reporting period, net of any income tax rebates collected during the same period, regardless of the tax period to which such tax and rebates refer, does not include tax paid on dividends received from other Group entities.

[G] The item "Corporate income taxes accrued on profits/losses" includes for all Group entities the current tax expense accrued and recorded on the income statement, in connection with taxable profit or loss recorded in the reporting year; contingencies are not included for tax relating to previous years, prepaid/deferred tax and provisions for tax risks. Insofar as of interest herein, it is specified that the tax accrued and paid suffers the application of tax rules, such as use by the companies adhering to the Italgas S.p.A. tax consolidation of tax losses, interest expense, and period and previous ACE, according to the Group taxation mechanisms.

TABLE OF GRI INDICATORS AND TABLE LINKING TO THE AREAS OF ITALIAN LEGISLATIVE DECREE NO. 254/2016

● NFS

Below is the table of GRI indicators reported.

TABLE OF GRI INDICATORS

Declaration of use	The Italgas Group submitted a report in compliance with the GRI Standards for the period 01.01.2023-31.12.2023
Use of GRI 1	GRI 1 - Fundamental Principles - 2021 Version
Relevant GRI industry standards	GRI 11: Oil and Gas Sector 2021

GRI INDICATOR	PAGE/DISCLOSURE/OMISSION	GRI SECTOR STANDARD
GRI 2: General Disclosures 2022		
2-1 Organisational Details	Cover, Pages 18-19, 23-24	
2-2 Entities included in the organisation's sustainability reporting	Pages 4, 18-19	
2-3 Reporting period, frequency and contact point	Pages 18-19. This document was published on 6 April 2024. For any information on this document, please write to: sustainability@italgas.it	
2-4 Restatements of information	Pages 18-19	
2-5 External assurance	Pages 18-19, 52, 240-241	
2-6 Activities, value chain and other business relationships	Pages 23-27, 77, 178-183	
2-7 Employees	Pages 197-198	
2-8 Workers who are not employees	As at 31 December 2023, the Group had 11 interns and 17 temporary workers in Italy and 111 subcontractors in Greece.	
2-9 Governance structure and composition	Pages 47-50 For further information, refer to the Corporate Governance and Ownership Structure Report	
2-10 Nomination and selection of the highest governance body	Pages 47-50 For further information, refer to the Corporate Governance and Ownership Structure Report	
2-11 Chair of the highest governance body	Pages 47-50 For further information, refer to the Corporate Governance and Ownership Structure Report	

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GRI INDICATOR	PAGE/DISCLOSURE/OMISSION	GRI SECTOR STANDARD
2-12 Role of the highest governance body in overseeing the management of impacts	Page 51 For further information, refer to the Corporate Governance and Ownership Structure Report	
2-13 Delegation of responsibility for managing impacts	Page 51 For further information, refer to the Corporate Governance and Ownership Structure Report	
2-14 Role of the highest governance body in sustainability reporting	Page 51 For further information, refer to the Corporate Governance and Ownership Structure Report	
2-15 Conflicts of Interest	Page 71 For further information, refer to the Corporate Governance and Ownership Structure Report	
2-16 Communication of critical concerns	Pages 64-66 For further information, refer to the Corporate Governance and Ownership Structure Report	
2-17 Collective knowledge of the highest governance body	Pages 50-51 For further information, refer to the Corporate Governance and Ownership Structure Report	
2-18 Evaluation of the performance of the highest governance body	Please refer to the Corporate Governance and Ownership Structure Report	
2-19 Remuneration policies	Please refer to Remuneration Report 2024 and Compensation Paid 2023 ¹⁸⁷	
2-20 Process to determine remuneration	Please refer to Remuneration Report 2024 and Compensation Paid 2023 ¹⁸⁸	
2-21 Annual total compensation ratio	For further information, please refer to the Remuneration Report 2023 and Compensation Paid 2022 ¹⁸⁹ , where an in-depth description of the calculation methodologies of the indicator is also included. These values are defined in accordance with the Consob Table in column 1 "Fixed Compensation" and column 6 "Total" of Table 1 "Compensation Paid to Directors, Statutory auditors and Executives with Strategic Responsibilities". With regard to the Group scope (Italian and Greek), the annual total compensation ratio between the salary of the highest-paid person and the median salary is 1:45. See Indicator 405-2 for further details on the database concerned. It should also be noted that the remuneration package of the highest-paid person within the organisation did not change during 2023 compared to what was envisaged for him as at 31 December 2022.	
2-22 Statement on sustainable development strategy	Pages 9-11	
2-23 Policy commitments	Pages 1, 44-45, 64-66	
2-24 Embedding policy commitments	Pages 64-66	
2-25 Processes to remediate negative impacts	Pages 64-66	
2-26 Mechanisms for seeking advice and raising concerns	Pages 64-66	

¹⁸⁷ <https://www.italgas.it/wp-content/uploads/sites/2/2024/03/Remuneration-Report-2024-and-Compensation-Paid-2023.pdf>

¹⁸⁸ Ibidem

¹⁸⁹ Ibidem

GRI INDICATOR	PAGE/DISCLOSURE/OMISSION	GRI SECTOR STANDARD
2-27 Compliance with laws and regulations	The monetary value of significant penalties ¹⁹⁰ for cases of non-compliance with laws and regulations that were paid during 2023 amounted to approximately € 1.1 million. This value refers to a total of 18 cases, all of which occurred during the current reporting period. During 2023, there were no penalty cases for which a fine was not paid. Furthermore, during 2023, the Group did not receive any significant sanctions for breaching environmental laws and regulations, just like in the two previous years.	
2-28 Membership associations	Pages 203-204	
2-29 Approach to stakeholder engagement	Pages 19-21	
2-30 Collective bargaining agreements	Page 168	
GRI 3: 2021 material topics		
3-1 Process to determine material topics	Pages 19-21	
3-2 List of material topics	Pages 19-21	
GRI 201: Economic Performance		
3-3 Management of material topics	Pages 187-188	
201-1 Direct economic value generated and distributed	Page 207	11.14.2, 11.21.2
201-4 Financial assistance received from government	Please refer to the table "Public grants received" in section "b - Consolidated Financial Statements". In addition, during 2023 Italgas benefited from the following tax reliefs and tax deductions: energy and gas tax credit for € 2.1 million, investment credits for € 1.7 million, art bonus for € 0.1 million ¹⁹¹	11.21.3
GRI 205: Anti-corruption		
3-3 Management of material topics	Pages 70-71	
205-1 Operations assessed for risks related to corruption	During 2023, all company activities were analysed and 56% of these (44 out of 72) were considered as possible areas of corruption risk	11.20.2
205-2 Communication and training on anti-corruption policies and procedures	Page 70	11.20.3
205-3 Confirmed incidents of corruption and actions taken	No incidents of corruption were recorded during the three-year period between 2021 and 2023	11.20.4
GRI 207: Tax		
3-3 Management of material topics	Pages 188-189	
207-1 Approach to tax	Page 188	11.21.4
207-2 Tax governance, control and risk management	Pages 188-189	11.21.5
207-3 – Stakeholder engagement and management of concerns related to tax	Page 189	11.21.6

¹⁹⁰ Penalties, fines and sanctions with a value of € 10 thousand or more. The sanctions mainly refer to penalties for late payment of taxes

¹⁹¹ The values for energy and gas tax credits and investment credits (not used) refer to the estimated values of the tax benefit for the Group in 2023.

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GRI INDICATOR	PAGE/DISCLOSURE/OMISSION	GRI SECTOR STANDARD
207-4 Country-by-country reporting	Pages 207-208	11.21.7
GRI 302: Energy		
3-3 Management of material topics	Pages 139-143	
302-1 Energy consumption within the organization	Page 192	11.1.2
302-2 Energy consumption outside of the organisation	Page 194	11.1.3
302-3 Energy intensity	Page 193	11.1.4
302-4 Reduction of energy consumption	Page 194	
GRI 303: Water and Effluents		
3-3 Management of material topics	Pages 139, 150-151	
303-1 Interactions with water as a shared resource	Pages 150-151	11.6.2
303-2 Management of water discharge-related impacts	Pages 150-151	11.6.3
303-3 Water withdrawals	Page 150	11.6.4
303-4 Water discharge	Page 151	11.6.5
303-5 Water consumption	Water discharges correspond to water withdrawals; consequently, water consumption is zero.	11.6.6
GRI 305: Emissions		
3-3 Management of material topics	Pages 139, 143-147	
305-1: Direct (Scope 1) GHG emissions	Page 144 Losses from venting can be considered residual, while there are no pneumatic or unburned material losses.	11.1.5
305-2: Energy indirect (Scope 2) GHG emissions	Page 144	11.1.6
305-3: Other indirect (Scope 3) GHG emissions	Page 146	11.1.7
305-4 GHG emissions intensity	Page 195	11.1.8
305-5 Reduction of GHG emissions	Page 194	11.2.3
305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Page 195 SO _x and COV emissions are not considered significant	11.3.2
GRI 306: Waste		
3-3 Management of material topics	Pages 139, 148-150	
306-1 Waste generation and significant waste-related impacts	Pages 148-150	11.5.2
306-2 Management of significant waste-related impacts	Pages 148-150	11.5.3
306-3 Waste generated	Page 149	11.5.4

GRI INDICATOR	PAGE/DISCLOSURE/OMISSION	GRI SECTOR STANDARD
306-4 Waste diverted from disposal	Page 149	11.5.5
306-5 Waste directed to disposal	Page 149	11.5.6
GRI 308: Supplier environmental assessment		
3-3 Management of material topics	Pages 178-183	
308-1 – New suppliers that were screened using environmental criteria	Page 205	
GRI 401: Employment		
3-3 Management of material topics	Pages 164-165, 168-169	
401-1 New employee hires and employee turnover	Pages 198-200	11.10.2
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Standard benefits that are provided to full-time employees of the organisation are also provided to part-time or temporary employees	11.10.3
401-3 Parental leave	Page 201	11.10.4
GRI 403: Health and Safety		
3-3 Management of material topics	Page 162	
403-1 Occupational Health and Safety Management System	Page 162	11.9.2
403-2 Hazard identification, risk assessment, and incident investigation	Page 162	11.9.3
403-3 Occupational health services	Page 162	11.9.4
403-4 Worker participation, consultation, and communication on occupational health and safety	Page 162	11.9.5
403-5 Worker training on occupational health and safety	Pages 162, 200	11.9.6
403-6 Promotion of worker health	Page 162	11.9.7
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Page 162	11.9.8
403-8 Workers covered by an occupational health and safety management system	All Italgas Group employees, regardless of the type of contract, are covered by occupational health and safety management systems	11.9.9
403-9 Work-related injuries	Page 163	11.9.10
403-10 Work-related ill health	In the last three years, only one case of work-related illness occurred in 2021	11.9.11

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GRI INDICATOR	PAGE/DISCLOSURE/OMISSION	GRI SECTOR STANDARD
GRI 404: Training and Education		
3-3 Management of material topics	Pages 164-166	
404-1 Average hours of training per year per employee	Page 201	1.10.6, 11.11.4
404-2 Programmes for upgrading employee skills and transition assistance programmes	Pages 164-166	11.10.7
GRI 405: Diversity and equal opportunities		
3-3 Management of material topics	Page 169	
405-1 Diversity of governance bodies and employees	Pages 48, 202	11.11.5
405-2 Ratio of basic salary and remuneration of women to men	Page 203. For calculating the indicator, payroll employees were taken into account and, therefore, also included in 2023 are three figures posted at Italgas Reti S.p.A. and three figures pertaining to Metano S. Angelo Lodigiano S.p.A. Furthermore, the calculation for total remuneration is based on the Global Gross Annual Compensation (GGAC), which for Italian employees considers the workforce on the basis of the monthly salaries actually paid during the year.	11.11.6
GRI 406: Non-Discrimination		
3-3 Management of material topics	Pages 168, 169	
406-1 Incidents of discrimination and corrective actions taken	Page 168	1.11.7
GRI 408: Child Labour		
3-3 Management of material topics	Pages 178-183	
408-1 Operations and suppliers at significant risk for incidents of child labor	To become part of the Italgas Group supply chain it is necessary to accept the principles of the Group's Code of Ethics, as well as the Code of Ethics of the Italgas Suppliers and the Ethics and Integrity Agreement, in compliance with our Organisational Model 231. All suppliers are required to meet important criteria in terms of human and labour rights through the acceptance of all policies, including the Italgas' Human Rights Policy. No supplier has been identified as having significant risk for incidents of child labour.	
GRI 409: Forced or Compulsory Labour		
3-3 Management of material topics	Pages 178-183	
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	To become part of the Italgas Group supply chain it is necessary to accept the principles of the Group's Code of Ethics, as well as the Code of Ethics of the Italgas Suppliers and the Ethics and Integrity Agreement, in compliance with our Organisational Model 231. All suppliers are required to meet important criteria in terms of human and labour rights through the acceptance of all policies, including the Italgas' Human Rights Policy. No supplier has been identified as having significant risk for incidents of forced or compulsory labour.	11.12.2
GRI 414: Supplier Social Assessment		
3-3 Management of material topics	Pages 178-183	

GRI INDICATOR	PAGE/DISCLOSURE/OMISSION	GRI SECTOR STANDARD
414-1 New suppliers that were screened using social criteria	Page 205	11.12.3, 11.10.8
414-2 Negative social impacts in the supply chain and actions taken	Pages 180-182	11.10.9
GRI 415: Public Policy		
3-3 Management of material topics	Pages 176-177	
415-1 Political contributions	Pages 203-204. As envisaged by the Code of Ethics, Italgas does not make any direct or indirect contribution in any form to political parties, movements, committees, political organisations or trade unions, nor to their representatives and candidates, except for those specifically mandated by applicable laws and regulations.	11.22.2
GRI 416: Customer Health and Safety		
3-3 Management of material topics	Pages 157-158	
416-1 Assessment of the health and safety impacts of product and service categories	Pages 196-197	11.3.3
GRI 418: Customer privacy		
3-3 Management of material topics	Pages 72-73	
418-1 Substantiated complaints concerning breaches of customers' privacy and losses of customer data	Pages 72-73	

ADDITIONAL TOPICS REQUIRED BY THE GRI SECTOR STANDARD

GRI INDICATOR	PAGE/DISCLOSURE/OMISSION	GRI SECTOR STANDARD
Climate adaptation, resilience and transition		
201-2 Financial implications and other risks and opportunities due to climate change	Please refer to the TCFD Report 2022-2023 – Driving innovation for energy transition ¹⁹²	11.2.2
GRI 402: Labour/ Management Relations		
402-1 Minimum notice periods regarding operational changes	The applicable laws, contracts and company agreements provide for notice periods in the event of intra-group staff transfers as a result of operational and organisational changes. The Group complies with these provisions	11.10.5
GRI 202: Market Presence		
202-2 Proportion of senior management hired from the local community	94% of senior managers were selected from the local community	11.11.2, 11.14.3

¹⁹² <https://www.italgas.it/wp-content/uploads/sites/2/2023/12/TCFD-report.pdf>

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GRI INDICATOR	PAGE/DISCLOSURE/OMISSION	GRI SECTOR STANDARD
GRI 407: Freedom of Association and Collective Bargaining		
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Given the geographic perimeter in which the Italgas Group operates, there are no company activities where the right to freedom of association and collective bargaining could be at risk	11.13.2
GRI 203: Indirect Economic Impacts		
203-1 Infrastructure investments and services supported	Pages 78-79	11.14.4
203-2 Significant indirect economic impacts	Through its infrastructure investments, the Group generates a positive impact on the region in terms of indirect economic impacts. Furthermore, the Sustainable Value Creation Plan is structured so that its actions generate positive medium- to long-term capital impacts.	11.14.5
GRI 204: Procurement Practices		
204-1 Proportion of spending on local suppliers	Page 178	11.14.6
GRI 413: Local communities		
413-1 Operations with local community engagement, impact assessments, and development programmes	The Group is not required, for its gas and water distribution activities, to carry out environmental impact assessments pursuant to Directive 2011/92/EU, as evidence of the substantial non-relevance of potential negative environmental impacts of Italgas operations on local communities. This assessment can also be extended to social aspects, even more so in light of the contexts, mainly urban, in which the Group operates, therefore the value of the indicator is zero. Italgas has in any case adopted a policy of stakeholder engagement, which is articulated in the identification of stakeholders and their continuous involvement through the most appropriate forms of dialogue, including stakeholders from local communities. Italgas has also approved a Sustainable Value Creation Plan in which it has identified the main medium-long term impacts generated by its activities, also with reference to local communities, with the aim of increasing and preserving the capital used (e.g. natural and relational capital). Finally, in this Plan, the Group has provided for the "Definition of an evaluation model for the impacts of company activities by 2024".	11.15.2
413-2 Operations with significant actual and potential negative impacts on local communities		11.15.3
GRI 206: Anti-competitive behaviour		
206-1 Legal actions for anti-competitive behaviour, anti-trust activities and monopoly practices	During the year, there were no actions related to anti-trust issues or pertaining to anti-competitive behaviour	11.19.2

ISSUES IN RELEVANT GRI INDUSTRY STANDARDS ESTABLISHED AS NON-MATERIAL

Issue	Explanation
GRI 11: Oil and Gas Sector 2021	
Biodiversity	See the section on "Materiality Analysis" under "Methodological Note".
Closure and rehabilitation	Gas distribution activities are managed through concessions.
Asset integrity and critical incident management	Refer to Section "8.2.1 Improving the quality of life and ensuring the safety of citizens". Based on the Group's activities, no risks and events related to significant spills have been identified.
Land and resource rights	The Italgas Group's activities take place in urbanised areas with limited impact on the exploitation of natural resources related to the land occupied.
Rights of indigenous peoples	The Group operates in areas where there are no indigenous populations ¹⁹³ .
Conflict and security	The Group does not operate in geographical areas identified as "at risk of conflict".

On the basis of the materiality matrix and the table of GRI indicators reported above, below is the table reconciling:

- Minimum elements envisaged by Italian Legislative Decree no. 254/2016;
- Document chapters/sections;
- Capital and material topics;
- GRI indicators.

RECONCILIATION TABLE

Minimum elements envisaged by Italian Legislative Decree no. 254/2016	Document chapters/sections	Capital and material topics	Indicators
Corporate management model and organisation of the business activities	<ul style="list-style-type: none"> ▪ Methodological note ▪ 1. Value creation process in the Italgas Group (sections 1.1 Corporate identity, 1.2 Business model and 1.3 External context, markets and Italgas share) ▪ 3. Governance, risks and opportunities (sections 3.1 Governance, 3.3 The internal control system and 3.4 Ethics and compliance) ▪ 4. Summary data and information (section 4.3 Operating performance) 	Responsible governance and risk management Corporate identity Compliance, transparency and fight against corruption <i>Relationship capital</i> <i>Human capital</i>	405-1 – Diversity of governance bodies and employees
Policies practised by the company	<ul style="list-style-type: none"> ▪ 2. Strategy and forward-looking vision ▪ 8. Builders of the future (sections 8.1 Italgas for the future of the planet 8.2 Italgas for the future of people 8.3 Italgas for a sustainable future together) 		

¹⁹³ Considering the definition contained in GRI Standard 11: Oil and Gas Sector 2022, indigenous peoples are "tribal peoples in independent countries whose social, cultural and economic conditions distinguish them from other sections of the national community, and whose status is regulated wholly or partially by their own customs or traditions or by special laws or regulations; or peoples in independent countries who are regarded as indigenous on account of their descent from the populations which inhabited the country, or a geographical region to which the country belongs, at the time of conquest or colonisation or the establishment of present state boundaries and who, irrespective of their legal status, retain some or all of their own social, economic, cultural and political institutions"

Minimum elements envisaged by Italian Legislative Decree no. 254/2016	Document chapters/sections	Capital and material topics	Indicators
Risk management	<ul style="list-style-type: none"> Methodological note (section "Materiality analysis") 3. Governance, risks and opportunities (section 3.2 Risk management) 	Responsible governance and risk management	
Use of energy resources	<ul style="list-style-type: none"> 8. Builders of the future (section 8.1 Italgas for the future of the planet) 	Network innovation and digitisation	302-1 – Energy consumed within the organization
Greenhouse gas emissions and polluting emissions into the atmosphere		Adoption of circular economy principles	302-3 Energy intensity 302-4 – Reduction of energy consumption
Impact on the environment or other relevant environmental risk factors		Management of ecosystems and biodiversity	303-1 Interactions with water as a shared resource 303-2 Management of water discharge-related impacts
		Energy transition and fight against climate change	303-3 – Water withdrawals 303-4 – Water discharge 303-5 – Water consumption
		<i>Natural capital</i>	305-1 Direct (Scope 1) GHG emissions 305-2 – Energy Indirect (Scope 2) GHG emissions from 305-3 – Other indirect (Scope 3) GHG emissions 305-4 – GHG emissions intensity 305-5 – Reduction in GHG emissions 305-7 – Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant emissions 306-1 - Waste generation and significant waste-related impacts 306-2 - Management of significant waste-related impacts 306-3 - Waste generated 306-4 – Waste diverted from disposal 306-5 – Waste directed to disposal
Impact on health and safety or other relevant health risk factors	<ul style="list-style-type: none"> 8. Builders of the future (Section 8.2 Italgas for the future of people) 	Protection, inclusion, enhancement and well-being of human resources	202-2 - Proportion of senior management hired from the local community
Personnel management		<i>Human capital</i>	401-1 – New hires and turnover 401-2 - Benefits provided to full-time employees that are not provided to temporary or part-time employees
Action taken to prevent discriminatory action or behaviour			402-1 - Minimum notice periods regarding operational changes 403-9 – Work-related injuries 403-10 - Work-related ill health 405-1 – Diversity of governance bodies and employees 405-2 – Ratio of basic salary and remuneration of women to men 401-3 – Parental leave 404-1 – Average hours of training per year per employee 404-2 - Programmes for upgrading employee skills and transition assistance programmes 406-1 - Incidents of discrimination and corrective actions taken

Minimum elements envisaged by Italian Legislative Decree no. 254/2016	Document chapters/sections	Capital and material topics	Indicators
Social (including those relating to the supply chain and subcontracting and respect for human rights)	<ul style="list-style-type: none"> ▪ 3. Governance, risks and opportunities (section 3.4 Ethics and compliance) ▪ 4. Summary data and information (section 4.2 Key data) ▪ 5. Comment on the economic and financial results and other information (subsection 5.2 Comment on the economic and financial results, subsection 5.5 Business outlook (economic-financial field)) ▪ 8. Builders of the future (Sections 8.2 Italgas for the future of people, 8.3 Italgas for a sustainable future together) 	<p>Network development</p> <p>Network digitalization and innovation</p> <p>Safety of network, assets and people</p> <p>Cybersecurity</p> <p>Sustainable management of the supply chain</p> <p>Quality of service and customer satisfaction</p> <p>Dialogue and value creation on the territory</p> <p>Economic value generation and ESG finance</p> <p><i>Intellectual capital</i> <i>Manufacturing capital</i> <i>Relationship capital</i> <i>Financial capital</i></p>	<p>308-1 – New suppliers that were screened using environmental criteria</p> <p>414-1 – New suppliers that were screened using social criteria</p> <p>414-2 - Negative social impacts in the supply chain and actions taken</p> <p>416-1 – Assessment of the health and safety impacts of product and service categories</p> <p>418-1 Substantiated complaints concerning breaches of customers’ privacy and losses of customer</p> <p>201-1 – Direct economic value generated and distributed</p> <p>201-4 - Financial assistance received from government</p> <p>Non-GRI indicator – Value of sponsorships and donations</p> <p>207-1 – Approach to tax</p> <p>207-2 – Tax governance, control and risk management</p> <p>207-3 – Stakeholder engagement and management of concerns related to tax</p> <p>207-4 – Country-by-country reporting</p> <p>2-6 - Activities, value chain and other business relationships</p>
Respect for human rights	<ul style="list-style-type: none"> ▪ 2. Strategy and forward-looking vision ▪ 8. Builders of the future (Sections 8.2 Italgas for the future of people, 8.3 Italgas for a sustainable future together) 	<p>Protection, inclusion, enhancement and well-being of human resources</p> <p>Sustainable management of the supply chain</p> <p>Respect for human rights</p> <p><i>Relationship capital</i> <i>Human capital</i></p>	<p>407-1 – Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk</p> <p>408-1 – Operations and suppliers at significant risk for incidents of child labor</p> <p>409-1 – Operations and suppliers at significant risk for incidents of forced or compulsory labor</p> <p>414-1 – New suppliers that were screened using social criteria</p> <p>414-2 – Negative social impacts in the supply chain and actions taken</p>
Fight against both active and passive corruption	<ul style="list-style-type: none"> ▪ 3. Governance, risks and opportunities (section 3.4 Ethics and compliance) 	<p>Compliance, transparency and fight against corruption</p> <p><i>Relationship capital</i></p>	<p>205-1 – Operations assessed for risks related to corruption</p> <p>205-2 – Disclosure and training on anti-corruption policies and procedures</p> <p>205-3 – Confirmed incidents of corruption and actions taken</p>

IMPACTS AND MATERIAL TOPICS



Material Topic	Impacts ¹⁹⁴
Network digitalization and innovation	Convert distribution networks into smart grids through digitisation and the application of innovative technologies to increase safety, operational efficiency and to enable the use of renewable, synthetic and hydrogen gases in distribution networks
Energy transition and fight against climate change	Reduce the Group's energy consumption and greenhouse gas emissions to contribute to the country's decarbonisation goals in line with national and international targets; reduce greenhouse gas emissions from the Group's supply chain; increase the energy efficiency of the Group's customers to reduce their climate-changing emissions; promote digital skills, knowledge of climate change and the importance of combating it, both inside and outside the Group, to promote the energy transition
Safety of network, assets and people	Adopt solutions to continue to ensure the security of networks, assets and business continuity; promote full compliance with standards that ensure the protection of health, safety, environment and energy performance through policies, procedures, training activities and a culture oriented towards the health and safety of customers and people working for the Group
Cybersecurity	Proactively protect the Company's information assets, reputation and sensitive data through a systemic approach and by implementing specific training activities for Group employees on cyber risks, common vulnerabilities, phishing and spam; working to ensure the highest standards of information security necessary to limit the risks associated with access to information from inside and outside the companies in the Group
Quality of service and customer satisfaction	Invest in digitisation and innovation to increase the quality of service to customers throughout the customer journey and launch projects aimed at making business operations more efficient Ensure a high level of perceived quality for citizens by improving the level of service throughout the customer journey; increase operational efficiency and the level of service to customers
Economic value generation and ESG finance	Facilitate access to new ESG finance instruments by ensuring integration between sustainability strategy and financial management
Network development	Extend the digital and "hydrogen-ready" network to territories that are currently non-methanised in order to reach new users and thus help replace fuels that have higher emissions
Protection, inclusion, enhancement and well-being of the Human Resources	Develop a healthy and inclusive corporate culture, based on respect for human rights and the prevention of discrimination and the protection of personal dignity in every context in which Italgas people and business partners operate
Compliance, transparency and fight against corruption	Communicate clearly and transparently to the market and all stakeholders in order to minimise information asymmetries and ensure accountability; require adherence to anti-corruption measures including from suppliers, intermediaries and any party that maintains a relationship with Italgas
Responsible governance and risk management	Ensure transparent and accountable governance in terms of roles, responsibilities and flows by enhancing the Company's reputation and generating long-term value; increase the Company's resilience and prevent risks by providing informative support for strategic decisions
Sustainable management of supply chain	Spread a culture of sustainability along the supply chain through engagement and training activities that promote supplier resilience; integrate sustainability criteria into the supplier qualification, selection and monitoring process, encouraging the adoption of good practices along the supply chain
Respect for human rights	Commit to preventing discrimination, protecting people's dignity and maintaining the best working conditions for people in the Group and along the supply chain
Adoption of circular economy principles	Promote the principles of the circular economy throughout the Group's entire supply chain in order to reduce the overall amount of resources used and waste generated by incentivising its recovery
Dialogue and value creation on the territory	Promote the dissemination of digital and energy-related skills outside the organisation; contribute to the debate on the role played by gas and the distribution networks on energy transition and on energy supply security issues; support employment and the economy in the municipalities where the Group operates, promoting local employment; generate shared value by developing technological know-how and skills in the territories where it is present, for example, by providing training or by favouring access to new geographical areas for SME suppliers
Management of ecosystems and biodiversity	Use natural resources in a sustainable manner, prevent pollution and protect ecosystems and biodiversity
Corporate identity	Increase the engagement of the population by defining a clear corporate identity (vision, mission, purpose); increase the Company's reputation externally through the support of artistic, social, cultural and sports initiatives consistent with the Group's values

¹⁹⁴ Impacts were identified according to an analysis that took into account the current and potential, positive and negative impacts generated by the Group's activities.

INFORMATION ON THE ACTIVITIES THAT ARE ELIGIBLE AND NON-ELIGIBLE TO THE TAXONOMY OF SUSTAINABLE INVESTMENTS



EUROPEAN TAXONOMY

The European taxonomy for sustainable activities was instituted with EU Regulation 2020/852 in order to define a unique criterion for the classification of sustainable economic activities from an environmental viewpoint. The European Union aims to provide companies, investors and policy managers with appropriate definitions for environmentally-sustainable activities, useful on the one hand to achieve the medium- and long-term European objectives, directing their investments, and on the other to offer greater security to investors and companies in their green investment choices. With its investments in the gas networks aimed at making them carriers of renewable gases, in electronic meters, in energy efficiency and the ever greater reduction of potential grid losses (gas and water), Italgas helps pursue that energy transition process necessary to achieve the European Green Deal objectives, while at the same time ensuring the stability of energy systems.

EU Regulation 2020/852 defines an activity as environmentally-sustainable if it makes a substantial contribution to achieving one of the following six objectives:

- climate change mitigation,
- climate change adaptation,
- the sustainable use and protection of water and marine resources,
- the transition to a circular economy,
- pollution prevention and control,
- the protection and restoration of biodiversity and ecosystems.

In particular, the Taxonomy, as it is defined today, establishes that an activity shall be:

- eligible, if it comes under the list envisaged by the Delegated Regulation EU 2021/2139
- aligned, if in addition to making a significant contribution towards the adaptation and mitigation of climate change, in compliance with the technical examination criteria defined by the Commission, it also does not have negative effects on the remaining objectives (Do No Significant Harm - DNSH) in respect of the minimum guarantees of safeguarding the protection of employment and human rights.

Starting 2022, and therefore applicable already from the 2021 financial statements, non-financial companies required to publish non-financial information in accordance with Article 19 bis or Article 29 bis of Directive 2013/34/EU reported the share of revenues, capital expenditure and operating expenses considered Taxonomy-eligible and non-eligible. As of the year 2023 and therefore applicable from the 2022 financial statements, the reporting obligation covers the share of turnover, capital expenditure and operating expenditure considered aligned, eligible and ineligible to the Taxonomy broken down by activity, with respect to climate change mitigation and adaptation objectives. In 2024, and therefore under the 2023 budget, the reporting obligation with respect to the eligibility criterion also covers the last four objectives. Italgas is subject to this obligation.

During 2023, the European Union completed the publication of the delegated acts related to all objectives, defining all eligible/aligned activities.

The data reported in this section therefore satisfies the reporting obligation.

MAIN ASSUMPTIONS

To define the share of revenues, operating expenses and capital expenditure deriving from activities that are eligible or aligned with the taxonomy, for lack of a consolidated, shared practice on a sector level and in light of possible different technical interpretations of the EU Delegated Regulations 2021/2139, 2021/2178, 2023/2485 and 2023/2486 that supplemented Regulation 2020/852, Italgas has defined a standard of internal criteria. It therefore follows that the resulting values, expressing the best assumptions presently available for the Group, could be subject to future updates in view of changes or updates of internal assessment, the reference regulations or the emergence of new shared standards or changes in the scope of some of the activities carried out.

It should also be noted that the portion of non-eligible activities includes all those activities that are not described in the Delegated Regulation EU 2021/2139, 2023/2485 and 2023/2486 irrespective of whether or not these activities can significantly contribute to one of the six objectives defined in the Regulation EU 2020/852.

AREA CONSIDERED

The mapping of activities considered the scope made up of Italgas S.p.A. and its subsidiaries, going into detail of the individual activities. The NACE code associated with the operating company has not been considered as a restriction for inclusion or exclusion, given that, in the case of Italgas and its subsidiaries, the NACE code in most cases reflects the core business and does not necessarily reflect the details required by the Taxonomy. For the definition of "eligible activity" or "aligned activity", consistency with the definition of activities included in delegated acts was therefore considered.

In 2022, with regard to the assets acquired in Greece and consolidated as at 1 September 2022, their contribution to the asset increase was not considered in either the denominator or the numerator of the KPI relating to capital expenditure, revenues and operating costs, in line with what was reported in the 2022 Integrated Annual Report. The activities in Greece are included in the 2023 scope and the investment in the acquisition of Veolia's water business unit is also included in the scope of capital expenditure, in line with the indications of Delegated Regulation 2021/2178.

MATERIALITY

No minimum materiality thresholds were defined for the inclusion/exclusion of individual activities of the scope described above in line with the analysis conducted last year.

REPORTING PRINCIPLE

As the operator of a distribution network, Italgas acts to create the best possible conditions to guarantee that its network is "enabled" to the distribution of hydrogen and/or other renewable gases. It is not, however, responsible for the production of such gases nor for the definition of blending thresholds, which are activities carried out by other subjects. In considering the activities, it has been assessed how far the Group can act to facilitate and make possible, during the plan time frame, the distribution of other gases apart from methane. The assessments that led to the definition of the 2023-2029 Strategic Plan include the taxonomy objectives.

ELIGIBLE ACTIVITIES

In accordance with Delegated Regulations no. 2021/2139, 2023/2485 and 2023/2486, which supplement Regulation no. 2020/852, the analysis carried out by Italgas starting from 2021 led to the identification of eligible activities falling within the following descriptions:

- (4.14) Renewable gas and low carbon emission gas distribution and transmission networks in respect of the gas distribution business
- (7.5) Installation, maintenance and repair of metering, regulation and energy performance control devices and instruments of buildings in respect of metering
- (7.3) Installation, maintenance and repair of energy efficiency devices for all energy efficiency activities
- (3.10) Manufacture of hydrogen

- (4.11) Storage of thermal energy
- (5.1) Construction, expansion and management of water collection, treatment and supply systems
- (5.2) Renewal of water collection, treatment and supply systems in respect of the drinking water sale and distribution companies
- (4.1) Production of electricity by means of solar-photovoltaic technology,
- (4.15) Distribution of district heating/district cooling,
- (7.1) Construction of new buildings
- (7.2) Renovation of existing buildings
- (7.4) Installation, maintenance and repair of electric vehicle charging stations in buildings
- (7.6) Installation, maintenance and repair of renewable energy technologies
- (8.1) Data processing, hosting and connected activities
- (9.3) Professional services related to energy performance of buildings

CALCULATION METHOD

The procedure continued with the assessment of activities for next steps. If an activity can be considered both in light of climate mitigation and climate adaptation, then the main purpose for which that activity was carried out and the prevailing impacts were assessed, thereby ensuring that no duplication of data occurred. In general, it was found that the Italgas activities considered meet the climate mitigation objective. It then proceeded to assess compliance with the technical screening criteria, the DNHS criteria (Do No Significant Harm to the environment criteria) and compliance with the minimum safeguard thresholds to determine which eligible assets were also sold according to the Taxonomy.

The accounting standards underlying the determination of the share of revenues, capital expenditure and operative expense eligible, are the same used to prepare the consolidated financial statements, as explained in the Notes and are consistent with Regulation 2020/852 and the Delegated Regulations of Taxonomy made available by the European Commission.

REVENUES ALIGNED OR ELIGIBLE FOR TAXONOMY

The share of revenues aligned with or eligible for the taxonomy, in compliance with subsection 1.1.1 of Annex 1 to Delegated Regulation 2021/2178, is calculated as the sum of revenues derived from products or services associated with activities respectively aligned with or eligible for the taxonomy, proportionally to the total net revenues of the Group (of the scope described above) recorded in compliance with International Accounting Standard (IAS) no. 1, subsection (82: (a)), shown in the Notes to the Consolidated Financial Statements in section 26.

Aligned revenues include activities for which technical screening and DNHS criteria are met. More specifically, it includes the part share of the remuneration of the gas metering service, relative to the installation, maintenance and repair of smart meters. For the gas distribution activity in Italy and Greece, the following has been calculated: i) the part share of the RAB and related revenues connected with investments in the network for the distribution of renewable and low-carbon gases including all requalification of the distribution network and its extensions, carried out with materials suitable for the new renewable gases and ii) the share of revenues relating to activities involving the detection of leaks, the repair of existing gas pipelines and other elements of the network, aimed at reducing methane leaks. Revenues deriving from activities relating to energy efficiency, water service and ICT have also been included, consistently with the taxonomy criteria. Eligible activities are all those that, although included in the list of Delegated Regulation EU 2021/2139, only partially meet the technical screening or DNSH criteria.

The share of revenues, net of the items relative to Service concession agreements, considered ineligible includes all activities not coming under the previous points.

OPERATING EXPENSES ALIGNED WITH OR ELIGIBLE FOR TAXONOMY

The portion of aligned or eligible operating expenses (OPEX) is calculated as the ratio of operating costs related to activities or processes respectively aligned or eligible for the taxonomy in proportion to the operating expenses incurred (considered as 49.6% of the total operating expenses, considering the scope previously described), in compliance with the provisions of subsection 1.1.2 of Annex 1 to Delegated Regulation 2021/2178. The operating expenses referred to in subsection 1.1.2 of Annex 1 to Delegated Regulation 2021/2178 are explained in subsection 27 of the Notes to the Consolidated Financial Statements.

The activities to which these expenses refer are those described in the previous section, in addition to the operating expenses related to real estate services.

CAPITAL EXPENDITURES ALIGNED WITH OR ELIGIBLE FOR TAXONOMY

The portion of capital expenses (CAPEX), in compliance with paragraph 1.1.2 of Annex 1 to Delegated Regulation 2021/2178, is calculated as the ratio of investments in activities or processes eligible to the taxonomy with respect to the increases in tangible and intangible assets in 2023, considered before amortisation/depreciation, impairment and any value adjustment, including those resulting from the recalculation and reduction in value and excluding changes in fair value. As indicated in Delegated Regulation 2021/2178, the increase in assets also includes the increases in tangible and intangible assets deriving from business combinations. CAPEX is booked in accordance with IAS 16 (73: (e) (i) and (iii)), IAS 38 (118: (e) (i)), and IFRS 16 (53: (h)) and are shown in the Notes to the Consolidated Financial Statements in sections 12 and 13 as well as in the Directors' Report in section 4.3. Capital expenditure is considered gross of contributions.

The CAPEX aligned with the taxonomy includes all investments related to the installation, maintenance and repair of digital meters. For the gas distribution activity, the following has been included: i) the investments made in the network for the distribution of renewable and low-carbon gases, including all requalification of the distribution network and its extensions, carried out with materials suitable for the new renewable gases and the portion of investments relating to activities involving the detection of leaks, the repair of existing gas pipelines and other elements of the network, aimed at reducing methane leaks. The CAPEX related to energy efficiency, the water service, real estate and ICT were also included in line with the taxonomy criteria.

Eligible activities are all those that, although included in the list of Delegated Regulation no. 2021/2139, only partially meet the technical screening or DNSH criteria, as well as all those included in Delegated Regulations no. 2023/2485 and 2023/2486. In particular, the CAPEX eligible for the taxonomy also includes design costs related to Power-to-Gas activities. For that project, which qualifies for the production of green hydrogen from renewables (hence without carbon production), when this analysis was closed, the third-party assessment of the emission level, as required by the technical screening criteria, was not available, while the regional resolution process to approve the Environmental Impact Assessment (so-called EIA) and the Integrated Environmental Authorisation (IEA) was published. Once this certification has been obtained and in view of the nature of the activities, it is believed that the project meets the technical and DNSH screening criteria. The investment related to the purchase of Veolia's water business unit is considered eligible in line with the provisions of Delegated Regulation no. 2021/2178.

The CAPEX considered as not eligible, in continuity with last year, includes all activities not described in EU Delegated Regulations 2021/2139, 2023/2485 and 2023/2486.

SIGNIFICANT HARM TO ENVIRONMENTAL GOALS

Climate change mitigation: the activities considered meet the climate change mitigation objective. Therefore, a significant damage assessment with respect to this objective was not necessary.

Climate change adaptation: the analysis of the physical climate risks affecting Italgas' activities is integrated into the Group's strategic planning process and ERM model. It takes into account the vulnerability of specific activities, the mitigation actions implemented and the adaptation solutions integrated where appropriate. To facilitate the identification of risks related to climate change, the ERM Department carries out a specific analysis based on physical scenarios to identify the main drivers of climate change that could impact Italgas' activities in the short (1 year), medium (2 to 7

years) and long term (more than 7 years) time horizon, and, for each of these drivers, a predefined list of risk/opportunity events applicable to Italgas is provided. The physical risks are assessed as low in consideration of the mitigation actions implemented. The list of risks considered was compared with the list in Appendix A, Annex I of Delegated Regulation EU 2021/2139. From the comparison made, it emerged that the activities do not pose significant harm to the ability to adapt to climate change, i.e. do not lead to a worsening of the negative effects of the current or future climate on humans, nature or assets.

Furthermore, in the case of newly constructed physical assets, adaptation solutions that reduce the main climate risks affecting them are incorporated into the design and construction phases. All other activities considered to be aligned were assessed as not posing significant harm to the ability to adapt to climate change, i.e. not leading to a worsening of the negative effects of the current or future climate on humans, nature or assets.

Sustainable use and protection of water and marine resources: Italgas is not required, for its gas and water distribution activities, to carry out an environmental impact assessment pursuant to Directive 2011/92/EU. This absence of such requirement is inherent in the nature of the distribution business. It should be noted, however, that the laying of gas distribution pipes and related items is carried out in compliance with regulations, including those of an environmental and water protection nature, both national and local, and is subject to authorisation by the competent authorities. By way of example, in Italy pipes must be installed covering at least by 1.00 m (save for derogations), thereby meaning that if diameters are at the upper limit of the range permitted for use, a maximum excavation depth of approximately 1.70 m, which limits interference with the water system. The laying of cathodic protection, which can have impacts at greater depths, is also carried out with prior authorisation and with consideration of the risks associated with groundwater interference. Since the networks transport gas, there is no risk of pollutants leaching into the groundwater.

In the case of Nepta, the actions put in place are aimed at the efficient use of water resources. Nepta distributes only drinking water and is not involved in wastewater treatment activities.

Finally, Italgas' HSEQE Policy commits the Group to the efficient use of water in the conduct of business activities. On the basis of the analyses carried out, the activities are not considered to be detrimental to the good potential status of water bodies or sea waters

Transition towards a circular economy: in its activities, Italgas pursues the reduction and prevention of pollution. Italgas' HSEQE Policy commits the Group to the reduction of waste produced and promotion, where possible, of its recovery. For the aligned activities, the principle of absence of significant damage is respected, in line with the provisions of Delegated Regulation (EU) 2021/2139. Insofar as regards the components and construction materials used, waste management and construction techniques and projects in the activities relating to point 7.1 and 7.2 respect the criteria of Delegated Regulation (EU) 2021/2139.

Pollution prevention and reduction: in its activities, Italgas pursues the reduction and prevention of pollution. Italgas' HSEQE Policy commits the Group to the reduction of waste produced and the promotion, where possible, of its recovery. As regards distribution, the equipment considered as aligned in terms of the taxonomy, falls within the scope of Directive 2009/125/EC, is compliant therewith and represents the best available technology. With regard to building components and materials used in activities related to Section 7.1, 7.2 and 7.3 the criteria in Appendix C, including the related regulations on the treatment and disposal of asbestos, are met.

Protection and restoration of biodiversity and ecosystems: the Italgas' HSEQE Policy commits the Group to the protection of the environment and the responsible management of the significant environmental impacts associated with its activities, pursuing the protection and care of the natural environment and combating climate change, avoiding deforestation, ensuring restoration and maintaining the balance of the ecosystem and biodiversity.

Italgas is not required, for its gas and water distribution activities, to carry out an environmental impact assessment pursuant to Directive 2011/92/EU. For both networks, the laying of the pipelines, related structures and excavation works are carried out in compliance with environmental regulations, limiting impacts on biodiversity and ecosystems.

MINIMUM SAFEGUARDS GUARANTEES

The Italgas Code of Ethics, the Supplier Code of Ethics and the Human Rights Policy outline the reference principles and actions taken to protect human rights in the performance of the Group's activities and, in general, in any context in which Italgas people and business partners operate. These principles are in line with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the International Labour Organisation (ILO) Fundamental Conventions. The Policy for the Prevention of Discrimination and Protection of the Dignity of Group Personnel and the Diversity and Inclusion Policy reinforce the Group's commitments to the protection of Human Rights.

Italgas and its investee companies have adopted Organisation, Management and Control Models (Models 231), aimed at preventing the perpetration of offences that could result in administrative liability to the Company, as well as Internal Control and Risk Management systems that guarantee compliance with minimum safeguards.

All suppliers are also required to meet important criteria in terms of human rights and work by accepting the Italgas Policy on Human Rights, health and safety, environmental protection and the ethical and responsible management of the business. The Group conducts human rights due diligence involving all Group operations and companies, covering all employees, as well as suppliers.

Revenues are reported, along with CAPEX and OPEX associated with the eligible activities. No information is supplied in respect of other KPIs, apart from that required by the Delegated Regulation (EU) 2021/2178.

2023	Environmentally sustainable activities (aligned with the taxonomy)	Activities eligible for the taxonomy but not environmentally sustainable (not aligned with the taxonomy)	Activities not eligible
Revenues	39.6%	0.0%	60.4%
OPEX	89.7%	2.4%	7.9%
CAPEX	80.9%	7.8%	11.2%

2022	Environmentally sustainable activities (aligned with the taxonomy)	Activities eligible for the taxonomy but not environmentally sustainable (not aligned with the taxonomy)	Activities not eligible
Revenues	33.5%	0.0%	66.5%
OPEX	83.2%	3.7%	13.2%
CAPEX	87.3%	0.3%	12.7%



2023 Share of revenues from products or services associated with economic activities aligned with the taxonomy

	NACE Code	Absolute revenues	Revenue Share	Criteria for the substantial contribution					
				Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems
		€M	%	%	%	%	%	%	%
A. ACTIVITIES ELIGIBLE FOR THE TAXONOMY									
A.1 environmentally sustainable activities (aligned with the taxonomy)									
4.1 Production of electricity by means of solar-photovoltaic technology;		3.9	0.2%	100%					
4.14 Renewable gas and low carbon emission gas distribution and transmission networks in respect of the gas distribution business;	D35.22	265.7	14.6%	100%					
5.1 Construction, expansion and management of water collection, treatment and supply systems;	E36.00	8.4	0.5%	100%					
7.3 Installation, maintenance and repair of energy efficiency devices for all energy efficiency activities;		291.0	16.0%	100%					
7.5 Installation, maintenance and repair of metering, regulation and energy performance control devices and instruments of buildings in respect of metering;		150.4	8.3%	100%					
7.6 Installation, maintenance and repair of renewable energy technologies;		0.2	0.0%	100%					
9.3 Professional services related to energy performance of buildings.		0.8	0.0%						
Revenues from environmentally sustainable activities (aligned with the taxonomy) (A.1)		720.4	39.6%	100%					
Of which are enabling		442.3	24.3%						
Of which are transitional		0.0	0.0%						
A.2 activities eligible for the taxonomy but not environmentally sustainable (not aligned with the taxonomy)									
4.15 Distribution of district heating/district cooling;		0.0	0.0%	100%					
Revenues from activities eligible for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		0.0	0.0%	100%					
Total A.1 + A.2		720.4	39.6%						
B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY									
Income from activities not eligible for the taxonomy (B)		1,097.1	60.4%						
TOTAL A+B		1,817.5							

Criteria for "Do No Significant Harm" - DNHS									
Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum safeguards guarantees	Share of eligible revenue aligned to Taxonomy (N-1)	Category (enabling activity)	Category (transition activity)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	A	A
	Y		Y		Y	S	0.3%		
	Y	Y		Y	Y	S	12.6%		
	Y	Y			Y	S	0.6%		
	Y			Y		S	9.6%	A	
	Y					S	10.2%	A	
	Y					S	0.0%	A	
	Y					S	0.1%	A	
							33.5%		
							0.0%		
							0.0%		
							33.5%		

2023 Share of operating expenses from products or services associated with economic activities aligned with the taxonomy

	NACE Code	Absolute operating expenses	Share of operating expenses	Climate change mitigation	Climate change adaptation	Criteria for the substantial contribution			
						Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems
		€M	%	%	%	%	%	%	%
A. ACTIVITIES ELIGIBLE FOR THE TAXONOMY									
A.1 environmentally sustainable activities (aligned with the taxonomy)									
4.1 Production of electricity by means of solar-photovoltaic technology;		0.6	0.2%	100%					
4.14 Renewable gas and low carbon emission gas distribution and transmission networks in respect of the gas distribution business;	D35.22	28.4	9.4%	100%					
5.1 Construction, expansion and management of water collection, treatment and supply systems;	E36.00	0.3	0.1%	100%					
7.3 Installation, maintenance and repair of energy efficiency devices for all energy efficiency activities;		231.1	76.2%	100%					
7.5 Installation, maintenance and repair of metering, regulation and energy performance control devices and instruments of buildings in respect of metering;		10.4	3.4%	100%					
7.6 Installation, maintenance and repair of renewable energy technologies;		0.2	0.1%	100%					
9.3 Professional services related to energy performance of buildings.		1.0	0.3%	100%					
Operating expenses from environmentally sustainable activities (aligned with taxonomy) (A.1)		272.0	89.7%	100%					
Of which are enabling		242.6	80.0%						
Of which are transitional		0.0	0.0%						
A.2 activities eligible for the taxonomy but not environmentally sustainable (not aligned with the taxonomy)									
4.15 Distribution of district heating/district cooling;		0.0	0.0%	100%					
8.1 Data processing, hosting and connected activities		7.2	2.4%	100%					
Operating expenses from activities eligible for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		7.2	2.4%	100%					
Total A.1 + A.2		279.2	92.1%	100%					
B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY									
Capital expenditure for activities not eligible for the taxonomy (B)		23.9	7.9%						
TOTAL A+B		303.1	100%						

Criteria for "Do No Significant Harm" - DNHS									
Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum safeguards guarantees	Share of eligible operational expenditure aligned with Taxonomy (N-1)	Category (enabling activity)	Category (transition activity)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	A	A
	Y		Y			Y	0.3%		
	Y	Y		Y		Y	15.1%		
	Y	Y				Y	0.2%		
	Y			Y		Y	59.8%	A	
	Y					Y	7.0%	A	
	Y					Y	0.1%	A	
	Y					Y	0.6%	A	
							83.2%		
							0.0%		
							3.6%		
							3.7%		
							86.8%		

2023. Share of capital expenditure from products or services associated with economic activities aligned with the taxonomy

	NACE Code	Absolute capital expenditure	Share of capital expenditure	Climate change mitigation	Climate change adaptation	Criteria for the substantial contribution			
						Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems
		€M	%	%	%	%	%	%	%
A. ACTIVITIES ELIGIBLE FOR THE TAXONOMY									
A.1 environmentally sustainable activities (aligned with the taxonomy)									
4.1 Production of electricity by means of solar-photovoltaic technology;		1.0	0.1%	100%					
4.11 Storage of thermal energy;		2.0	0.2%	100%					
4.14 Renewable gas and low carbon emission gas distribution and transmission networks in respect of the gas distribution business;	D35.22	669.1	67.9%	100%					
5.1 Construction, expansion and management of water collection, treatment and supply systems;	E36.00	0.3	0.0%	100%					
5.2 Renewal of water collection, treatment and supply systems in respect of the drinking water sale and distribution companies;	E36.00	2.4	0.2%	100%					
7.1 Construction of new buildings		1.8	0.2%	100%					
7.2 Renovation of existing buildings		1.0	0.1%	100%					
7.3 Installation, maintenance and repair of energy efficiency devices for all energy efficiency activities;		6.6	0.7%	100%					
7.4 Installation, maintenance and repair of electric vehicle charging stations in buildings		0.1	0.0%	100%					
7.5 Installation, maintenance and repair of metering, regulation and energy performance control devices and instruments of buildings in respect of metering;		111.3	11.3%	100%					
7.6 Installation, maintenance and repair of renewable energy technologies;		1.3	0.1%	100%					
9.3 Professional services related to energy performance of buildings.									
Capital expenditure of environmentally sustainable activities (aligned to the taxonomy) (A.1)		796.9	80.9%	100%					
Of which are enabling		121.3	12.3%						
Of which are transitional		1.0	0.1%						
A.2 activities eligible for the taxonomy but not environmentally sustainable (not aligned with the taxonomy)									
3.10 Manufacture of hydrogen;		0.6	0.1%	100%					
5.1 Construction, expansion and management of water collection, treatment and supply systems;		76.4	7.8%	100%					
8.1 Data processing, hosting and connected activities									
Capital expenditure of activities eligible for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		77.0	7.8%	100%					
Total A.1 + A.2		874.0	88.8%	100%					
B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY									
Capital expenditure for activities not eligible for the taxonomy (B)		110.8	11.2%						
TOTAL A+B		984.8	100%						

Criteria for "Do No Significant Harm" - DNHS									
Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum safeguards guarantees	Share of eligible capital expenditure aligned with the Taxonomy (N-1)	Category (enabling activity)	Category (transition activity)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	A	A
	Y		Y			Y	0.0%		
	Y	Y	Y			Y	0.0%	A	
	Y	Y			Y	Y	80.6%		
	Y	Y				Y	0.0%		
	Y	Y				Y	0.4%		
	Y	Y	Y	Y	Y	Y	0.1%		
	Y	Y	Y	Y		Y	0.2%		T
	Y				Y	Y	0.4%	A	
	Y					Y	0.1%	A	
	Y					Y	5.1%	A	
	Y					Y	0.0%	A	
	Y					Y	0.0%	A	
							87.0%		
							0.1		
							0.0%		
							0.1%		
							87.1%		

2022 Share of revenues from products or services associated with economic activities aligned with the taxonomy

	NACE Code	Absolute revenues	Criteria for the substantial contribution		
			Revenue Share	Climate change mitigation	Climate change adaptation
		€M	%	%	%
A. ACTIVITIES ELIGIBLE FOR THE TAXONOMY					
A.1 environmentally sustainable activities (aligned with the taxonomy)					
4.1 Production of electricity by means of solar-photovoltaic technology;		4.2	0.3%	100%	
4.14 Renewable gas and low carbon emission gas distribution and transmission networks in respect of the gas distribution business;	D35.22	189.3	12.6%	100%	
5.1 Construction, expansion and management of water collection, treatment and supply systems;	E36.00	8.9	0.6%	100%	
7.3 Installation, maintenance and repair of energy efficiency devices for all energy efficiency activities;		144.8	9.6%	100%	
7.5 Installation, maintenance and repair of metering, regulation and energy performance control devices and instruments of buildings in respect of metering;		154.1	10.2%	100%	
7.6 Installation, maintenance and repair of renewable energy technologies;		0.3	0.0%	100%	
9.3 Professional services related to energy performance of buildings.		1.8	0.1%	100%	
Revenues from environmentally sustainable activities (aligned with the taxonomy) (A.1)		503.5	33.5%	100%	
A.2 activities eligible for the taxonomy but not environmentally sustainable (not aligned with the taxonomy)					
4.15 Distribution of district heating/district cooling		0.1	0.0%	100%	
Revenues from activities eligible for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		0.1	0.0%	100%	
Total A.1 + A.2		503.6	33.5%	100%	
B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY					
Income from activities not eligible for the taxonomy (B)		1,001.0	66.5%		
TOTAL A+B		1,504.5			

Criteria for "Do No Significant Harm" - DNHS

Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum safeguards guarantees	Share of revenues aligned with the taxonomy	Category (enabling activity)	Category (transition activity)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	A	A
	Y		Y			Y	0.8%		
	Y	Y		Y		Y	37.6%		
	Y	Y				Y	1.8%		
	Y			Y		Y	28.8%	A	
	Y					Y	30.6%	A	
	Y					Y	0.1%	A	
	Y					Y	0.4%	A	

2022 Share of operating expenses from products or services associated with economic activities aligned with the taxonomy

	NACE Code	Absolute operating expenses	Criteria for the substantial contribution		
			Share of operating expenses	Climate change mitigation	Climate change adaptation
		€M	%	%	%
A. ACTIVITIES ELIGIBLE FOR THE TAXONOMY					
A.1 environmentally sustainable activities (aligned with the taxonomy)					
4.1 Production of electricity by means of solar-photovoltaic technology;		0.6	0.3%	100%	
4.14 Renewable gas and low carbon emission gas distribution and transmission networks in respect of the gas distribution business;	D35.22	28.7	15.1%	100%	
5.1 Construction, expansion and management of water collection, treatment and supply systems;	E36.00	0.4	0.2%	100%	
7.3 Installation, maintenance and repair of energy efficiency devices for all energy efficiency activities;		114.1	59.8%	100%	
7.5 Installation, maintenance and repair of metering, regulation and energy performance control devices and instruments of buildings in respect of metering;		13.4	7.0%	100%	
7.6 Installation, maintenance and repair of renewable energy technologies;		0.2	0.1%	100%	
9.3 Professional services related to energy performance of buildings.		1.1	0.6%	100%	
Operating expenses from environmentally sustainable activities (aligned with taxonomy) (A.1)		158.6	83.2%	100%	
A.2 activities eligible for the taxonomy but not environmentally sustainable (not aligned with the taxonomy)					
4.15 Distribution of district heating/district cooling		0.1	0.0%	100%	
8.1 Data processing, hosting and connected activities;		6.9	3.6%		
Operating expenses from activities eligible for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		7.0	3.7%	100%	
Total A.1 + A.2		165.6	86.8%	100%	
B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY					
Operating expenses from activities not eligible for the taxonomy (B)		25.1	13.2%		
TOTAL A+B		190.7			

Criteria for "Do No Significant Harm" - DNHS

Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum safeguards guarantees	Share of revenues aligned with the taxonomy	Category (enabling activity)	Category (transition activity)
S/N	S/N	S/N	S/N	S/N	S/N	S/N	%	A	A
	S		S		S	S	0.4%		
	S	S		S	S	S	18.1%		
						S	0.3%		
	S			S		S	71.9%	A	
	S					S	8.4%	A	
	S					S	0.1%	A	
	S					S	0.7%	A	

2022. Share of capital expenditure from products or services associated with economic activities aligned with the taxonomy

	NACE Code	Absolute capital expenditure	Criteria for the substantial contribution		
			Share of capital expenditure	Climate change mitigation	Climate change adaptation
		€M	%	%	%
A. ACTIVITIES ELIGIBLE FOR THE TAXONOMY					
A.1 environmentally sustainable activities (aligned with the taxonomy)					
4.1 Production of electricity by means of solar-photovoltaic technology;		0.1	0.0%	100%	
4.11 Storage of thermal energy;		0.3	0.0%	100%	
4.14 Renewable gas and low carbon emission gas distribution and transmission networks in respect of the gas distribution business;	D35.22	663.3	80.6%	100%	
5.1 Construction, expansion and management of water collection, treatment and supply systems;	E36.00	0.3	0.0%	100%	
5.2 Renewal of water collection, treatment and supply systems in respect of the drinking water sale and distribution companies;	E36.00	3.1	0.4%	100%	
7.1 Construction of new buildings		0.6	0.1%	100%	
7.2 Renovation of existing buildings		1.6	0.2%	100%	
7.3 Installation, maintenance and repair of energy efficiency devices for all energy efficiency activities;		3.4	0.4%	100%	
7.4 Installation, maintenance and repair of electric vehicle charging stations in buildings		0.6	0.1%	100%	
7.5 Installation, maintenance and repair of metering, regulation and energy performance control devices and instruments of buildings in respect of metering;		41.6	5.1%	100%	
7.6 Installation, maintenance and repair of renewable energy technologies;		0.2	0.0%	100%	
9.3 Professional services related to energy performance of buildings.		0.1	0.0%	100%	
Capital expenditure of environmentally sustainable activities (aligned to the taxonomy) (A.1)		715.4	87.0%	100%	
A.2 activities eligible for the taxonomy but not environmentally sustainable (not aligned with the taxonomy)					
3.10 Manufacture of hydrogen;		0.9	0.1%	100%	
8.1 Data processing, hosting and connected activities;		0.3	0.0%	100%	
Capital expenditure of activities eligible for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		1.2	0.1%	100%	
Total A.1 + A.2		716.6	87.1%	100%	
B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY					
Capital expenditure for activities not eligible for the taxonomy (B)		105.9	12.9%		
TOTAL A+B		822.5	100.0%		

Criteria for "Do No Significant Harm" - DNHS

Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum safeguards guarantees	Share of revenues aligned with the taxonomy	Category (enabling activity)	Category (transition activity)
S/N	S/N	S/N	S/N	S/N	S/N	S/N	%	A	A
	S		S		S	S	0.0%		
	S	S	S		S	S	0.0%	A	
	S	S		S	S	S	92.7%		
	S	S			S	S	0.0%		
	S	S			S	S	0.4%		
	S	S	S	S	S	S	0.1%		
	S	S	S	S			0.2%		T
	S			S		S	0.5%	A	
	S					S	0.1%		
	S					S	5.8%	A	
	S					S	0.0%	A	
	S					S	0.0%	A	

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT



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**INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND
ART. 5 OF CONSOB REGULATION N. 20267/2018**

**To the Board of Directors of
Italgas S.p.A.**

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Italgas S.p.A. and its subsidiaries (hereinafter "Italgas Group" or "Group") as of December 31, 2023 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 12, 2024 (hereinafter "NFS").

Our limited assurance engagement does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "Information on the activities that are eligible and non-eligible to the Taxonomy of sustainable investments" of the NFS.

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and Global Reporting Initiative Sustainability Reporting Standards established by GRI – Global Reporting Initiative ("GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

During the year covered by this assurance engagement, our auditing firm applies *International Standard on Quality Control 1 (ISQC Italia 1)* and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art.3 of the Decree and taking into account the adopted reporting standard;
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;
3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Italgas Group;

4. understanding of the following matters:

- business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
- policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
- main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a) of this report;

5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Italgas S.p.A. and with the employees of the main legal entities of the Group and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at parent company and subsidiaries level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for entities Italgas S.p.A., Italgas Reti S.p.A., Geoside S.p.A. and Enaon EDA S.A., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits and remote meetings, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Italgas Group as of December 31, 2023 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and GRI Standards.



Our conclusion on the NFS does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph “Information on the activities that are eligible and non-eligible to the Taxonomy of sustainable investments” of the NFS.

DELOITTE & TOUCHE S.p.A.

Signed by
Paola Mariateresa Rolli
Partner

Milan, Italy
April 5, 2024

This report has been translated into the English language solely for the convenience of international readers.



02

CONSOLIDATED FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(€ thousands)	Notes	31.12.2022		31.12.2023	
		Total	of which, related parties	Total	of which, related parties
ASSETS					
Current assets					
Cash and cash equivalents	(6)	451,946		249,963	
Current financial assets	(7)	5,770	2,246	4,248	2,127
Trade and other receivables	(8)	1,142,950	28,586	853,488	184,114
Inventories	(9)	120,486		79,052	
Current income tax assets	(10)	8,703		17,475	
Other current financial assets	(19)	17,455		18,094	-
Other current non-financial assets	(11)	80,775	4	152,864	2
		1,828,085		1,375,184	
Non-current assets					
Property, plant and equipment	(12)	379,026		386,040	
Intangible assets	(13)	8,509,368		8,772,609	
Investments valued using the equity method	(14)	47,243		131,771	
Non-current financial assets	(15)	22,945	612	23,778	3,655
Deferred tax assets	(23)	-		-	
Non-current income tax assets	(10)	54,862		12,876	
Other non-current financial assets	(19)	35,442	-	13,708	-
Other non-current non-financial assets	(11)	153,575	232	417,069	287
		9,202,461		9,757,851	
Non-current assets held for sale	(16)	11	-	6,613	-
TOTAL ASSETS		11,030,557		11,139,648	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term financial liabilities	(17)	142,437	118	1,033,434	636
Trade and other payables	(18)	1,197,117	444,040	829,862	65,775
Current income tax liabilities	(10)	16,105	-	20,448	-
Other current financial liabilities	(19)	290	-	-	-
Other current non-financial liabilities	(20)	30,072	194	17,393	222
		1,386,021		1,901,137	
Non-current liabilities					
Long-term financial liabilities	(17)	6,402,913	(2,048)	5,886,922	1,566
Provisions for risks and charges	(21)	144,277	-	109,851	-
Provisions for employee benefits	(22)	69,917	-	65,330	-
Non-current income tax liabilities	(10)	-	-	-	-
Deferred tax liabilities	(23)	91,633	-	47,780	-
Other non-current financial liabilities	(19)	34	-	-	-
Other non-current non-financial liabilities	(20)	545,192	-	527,884	-
		7,253,966		6,637,767	
Liabilities directly associated with non-current assets		-	-	-	-
TOTAL LIABILITIES		8,639,987	-	8,538,904	-
SHAREHOLDERS' EQUITY (24)					
Share capital		1,002,608		1,003,228	
Reserves		202,360		191,529	
Profit (loss) carried forward		496,006		645,747	
Profit (loss) for the year		407,288		439,568	
Treasury shares					
Total Italgas shareholders' equity		2,108,262		2,280,072	
Minority interests		282,308		320,672	
TOTAL SHAREHOLDERS' EQUITY		2,390,570		2,600,744	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		11,030,557		11,139,648	

INCOME STATEMENT

(€ thousands)	Notes	2022		2023	
		Total	of which, related parties	Total	of which, related parties
REVENUES	(26)				
Revenues		2,182,712	(229,456)	2,564,193	45,865
Other revenues and income		129,764	17,863	74,648	3,129
		2,312,476		2,638,841	
OPERATING COSTS	(27)				
Costs for raw materials, consumables, supplies and goods		(154,746)	(9,325)	(195,869)	(14,166)
Costs for services		(654,094)	(6,853)	(792,394)	(13,300)
Costs for leased assets		(102,319)	(1,021)	(89,133)	(1,125)
Personnel cost		(257,492)		(276,800)	
Allocations to/releases from provision for risks and charges		1,797		(1,118)	
Allocations to/releases from provisions for doubtful debt		342		(124)	
Other expenses		(25,440)	(155,131)	(56,600)	(72,858)
		(1,191,952)		(1,412,038)	
AMORTISATION, DEPRECIATION AND IMPAIRMENT	(28)	(479,186)		(545,546)	
EBIT		641,338		681,257	
FINANCIAL INCOME (EXPENSE)	(29)				
Financial expense		(61,367)	-	(103,642)	-
Financial income		4,043	1	5,490	1
Derivative financial instruments		1,049		(77)	
		(56,275)		(98,229)	
INCOME (EXPENSE) FROM EQUITY INVESTMENTS	(30)				
Effect of valuation using the equity method		662	662	1,652	1,652
Dividends		48	48	25	25
Other income (expense) from equity investments		2,722		1,391	
		3,432		3,068	
Gross profit		588,495		586,096	
Income taxes	(31)	152,369		118,625	
Net profit (loss) for the year		436,126		467,471	
Attributable to Italgas		407,288		439,568	
Minority interests		28,838		27,903	
Net profit (loss) per share attributable to Italgas (€ per share)	(32)				
- basic and diluted from continuing operations		0.50		0.54	
- basic and diluted from discontinued operations		-		-	
- total basic and diluted		0.50		0.54	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME: ATTRIBUTABLE TO THE PARENT COMPANY AND TO MINORITY INTERESTS

(€ thousands)	2022			2023		
	Attributable to the parent company	Attributable to minority interests	Total	Attributable to the parent company	Attributable to minority interests	Total
Net profit (loss) for the year	407,288	28,838	436,126	439,568	27,903	467,471
Other comprehensive income						
Components reclassifiable to the income statement:						
Change in fair value of financial assets, other than equity investments, measured at fair value with effects on OCI						
Change in fair value of cash flow hedge derivatives (Effective portion)	56,593		56,593	(20,497)	(1,140)	(21,637)
Change in fair value of the time value of options						
Share of "other comprehensive income" of investments valued using the equity method						
Tax effect	(13,582)		(13,582)	4,919	273	5,192
	43,011		43,011	(15,578)	(867)	(16,445)
Components not reclassifiable to the income statement:						
Actuarial gains (losses) from remeasurement of defined benefit plans for employees	11,035	624	11,659	246	(24)	222
Change in fair value of investments measured at fair value with effects on OCI	802		802	(515)		(515)
Share of "other comprehensive income" of investments valued using the equity method						
Tax effect	(3,283)	(175)	(3,458)	69	6	75
	8,554	449	9,003	(200)	(18)	(218)
Total other components of comprehensive income, net of tax effect	51,565	449	52,014	(15,778)	(885)	(16,663)
Total comprehensive income for the year	458,853	29,287	488,140	423,790	27,018	450,808

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€ thousands)	Share capital	Consolidation reserve	Share premium reserve	Legal reserve
Balance as at of 31 December 2021 (a) (Nots 24)	1,002,016	(323,907)	622,377	200,246
2022 profit for the year				
Other components of comprehensive income:				
<i>Components reclassifiable to the income statement:</i>				
- change in fair value of cash flow hedge derivatives				
<i>Components not reclassifiable to the income statement:</i>				
- Actuarial gains on remeasurement of defined-benefit plans for employees				
- Valuations of equity investments measured at fair value				
Total comprehensive income 2022 (b)				
Transactions with shareholders:				
- Allocation of 2021 profit for the year				
- Allocation of Italgas SpA dividend for 2021 (€0.277 per share)				
'- Payment of share capital by minority shareholders				
- Allocation of dividends to minority shareholders				
- Stock grant reserve				
- Change in scope of consolidation				
Total transactions with shareholders (c)				
Other changes in shareholders' equity (d)	592		2,072	
Balance as at of 31 December 2022 (e=a+b+c+d) (Nots 24)	1,002,608	(323,907)	624,449	200,246
(€ thousands)				
	Share capital	Consolidation reserve	Share premium reserve	Legal reserve
Balance as at 31 December 2022 (a) (nots 24)	1,002,608	(323,907)	624,449	200,246
2023 profit for the year				
Other components of comprehensive income:				
<i>Components reclassifiable to the income statement:</i>				
- change in fair value of cash flow hedge derivatives				
<i>Components not reclassifiable to the income statement:</i>				
- Actuarial gains on remeasurement of defined-benefit plans for employees				
- Valuations of equity investments measured at fair value				
- Share-based payments				
Total comprehensive income 2023 (b)				
Transactions with shareholders:				
- Allocation of 2022 profit for the year				400
- Allocation of Italgas SpA dividend for 2022				
'- Payment of share capital by minority shareholders				
- Allocation of dividends to minority shareholders				
- Stock grant reserve				
- Change in scope of consolidation				
Total transactions with shareholders (c)	-	-	-	400
Other changes in shareholders' equity (d)	620	-	1,803	
Balance as of 31 December 2023 (e=a+b+c+d) (Nots 24)	1,003,228	(323,907)	626,252	200,646

Reserve for defined benefit plans for employees, net of tax effect	Fair value reserve for cash flow hedge derivatives, net of tax effect	Reserve for business combinations under common control	Stock grant reserve	Fair value valuation reserve for equity investments	Other reserves	Retained earnings	Net profit for the year	Total	Minority interests	Total shareholders' equity
(15,140)	(4,750)	(349,839)	5,602		19,921	372,075	362,813	1,891,414	251,077	2,142,491
							407,288	407,288	28,838	436,126
	43,011							43,011		43,011
7,945								7,945	449	8,394
				609				609		609
7,945	43,011			609			407,288	458,853	29,287	488,140
						362,813	(362,813)			-
						(238,882)		(238,882)		(238,882)
									(14,244)	(14,244)
			451					451		451
					(1,964)			(1,964)	(1,065)	(3,029)
			451		(1,964)	123,931	(362,813)	(240,395)	(15,309)	(255,704)
			1,149		(5,423)			(1,610)	17,253	15,643
(7,195)	38,261	(349,839)	7,202	609	12,534	496,006	407,288	2,108,262	282,308	2,390,570
							407,288	2,108,262	282,308	2,390,570
							439,568	439,568	27,903	467,471
	(15,578)							(15,578)	(867)	(16,445)
171								171	(18)	153
				(371)				(371)		(371)
								-		-
171	(15,578)			(371)			439,568	423,790	27,018	450,808
						406,888	(407,288)	-		-
						(257,147)		(257,147)		(257,147)
									-	-
									(12,848)	(12,848)
			2,215					2,215		2,215
	-	-	-	-	-	-	-	-	-	-
-	-	-	2,215	-	-	149,741	(407,288)	(254,932)	(12,848)	(267,780)
					529			2,952	24,194	27,146
(7,024)	22,683	(349,839)	9,417	238	13,063	645,747	439,568	2,280,072	320,672	2,600,744

CASH FLOW STATEMENT

(€ thousands)	2022	2023
Profit (loss) for the year	436,126	467,471
Adjustments to reclassify net profit to cash flow from operating activities:		
Amortisation and depreciation	478,290	522,530
Net impairment of assets	895	21,797
Effect of valuation using the equity method	(662)	(1,824)
Other income from equity investments	(2,722)	-
Stock grant	7,958	2,232
Net capital losses (capital gains) on asset sales, cancellations and eliminations	(25,357)	38,485
Dividends	(48)	(42)
Financial income	(5,092)	(5,412)
Financial expense	61,413	103,337
Income taxes	152,369	118,625
Change in provisions for employee benefits	(17,574)	(6,715)
Changes in working capital:		
- Inventories	(4,751)	41,305
- Trade receivables	65,399	(511,296)
- Trade payables	400,375	(431,738)
- Provisions for risks and charges	(38,584)	(34,378)
- Other assets and liabilities	(759,189)	451,076
Cash flow from working capital	(336,750)	(485,031)
Dividends collected	1,372	672
Financial income collected	4,043	4,376
Financial expense paid	(53,720)	(88,722)
Income taxes paid, net of tax credits reimbursed	(152,372)	(119,107)
Net cash flow from operating activities	548,169	572,672
<i>of which, related parties</i>	<i>(565,060)</i>	<i>(386,300)</i>
Investments:		
- Property, plant and equipment	(10,645)	(24,534)
- Intangible assets	(766,585)	(837,368)
- Change in scope of consolidation and, business units and equity investments	(874,741)	(78,291)
- Change in payables and receivables for investments	47,733	60,729
Disinvestments:		
- Assets available for sale	5,050	-
- Property, plant and equipment	2,502	159
- Intangible assets	293,213	21,298
- Disposals of Assets and business units	19,647	403
- Equity investments	-	-
- Change in receivables relating to disinvestment activities	-	-
Net cash flow from investment activities	(1,283,826)	(857,604)
<i>of which, related parties</i>	<i>(12,128)</i>	<i></i>
Assumptions of long-term financial debt	602,660	537,980
Repayment of long-term financial debt	(194,717)	(164,174)
Increase (decrease) in short-term financial debt	(347,117)	8,532
Capital contributions from third parties	12,254	-
Sale of non-controlling interests	5,008	-
Financial receivables non-instrumental to operations	(1,133)	2,127
Dividends collected	(253,250)	(270,483)
Reimbursements of financial liabilities for leased assets	(27,865)	(31,033)
Net cash flow from financing activities	(204,160)	82,949
<i>of which, related parties</i>	<i>(98,079)</i>	<i>(97,338)</i>
Net cash flow for the year	(939,817)	(201,983)
Opening cash and cash equivalents	1,391,763	451,946
Closing cash and cash equivalents	451,946	249,963

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

COMPANY INFORMATION

The Italgas Group, consisting of Italgas S.p.A., the consolidating company, and its subsidiaries (hereinafter referred to as "Italgas", the "Italgas Group" or the "Group"), is at the forefront of the regulated natural gas sector.

Italgas S.p.A. is a joint stock company incorporated under Italian law and listed on the Milan Stock Exchange, with registered offices in Milan at 11 via Carlo Bo.

CDP S.p.A. has "de facto" control over Italgas S.p.A. pursuant to the accounting principle IFRS 10 "Consolidated Financial Statements".

As at 31 December 2023, CDP S.p.A. owns, via CDP Reti S.p.A.¹ 25.99% of the share capital of Italgas S.p.A.

The parent company Italgas S.p.A. is not subject to management and coordination activities. Italgas S.p.A. exerts management and coordination activities over its subsidiaries pursuant to Articles 2497 et seq. of the Italian Civil Code.

1. BASIS OF PREPARATION

The consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure pursuant to Article 6 of (EC) Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and pursuant to Article 9 of Legislative Decree 38/2005. The IFRS also include the International Accounting Standards (IAS) as well as the interpretive documents still in force issued by the IFRS Interpretations Committee (IFRS IC), including those previously issued by the International Financial Reporting Interpretations Committee (IFRIC) and, before that, by the Standing Interpretations Committee (SIC). For sake of simplicity, all of the aforementioned standards and interpretations will hereafter be referred to as "IFRS" or "International Accounting Standards".

The same consolidation principles and measurement criteria of the previous year are applied in the 2023 consolidated financial statements, except for the international accounting standards that came into force starting from 1 January 2023, which are described in the following section "Accounting principles and interpretations applicable from 2023" of said report.

The consolidated financial statements are prepared on a going-concern basis, using the historical cost method, taking into account value adjustments, where appropriate, with the exception of the items which, according to IFRS, must be measured at fair value, as described in the measurement criteria.

The consolidated financial statements as at 31 December 2023, approved by the Board of Directors of Italgas S.p.A. at the meeting of 12 March 2024 were subjected to an audit by Deloitte & Touche S.p.A. As the main auditor, it is responsible for auditing the separate financial statements of Italgas S.p.A. and its subsidiaries.

The consolidated Financial Statements are presented in Euro. Given their size, amounts in the financial statements and respective notes are expressed in thousands of Euro, unless otherwise specified.

Some information contained in the notes to the consolidated financial statements when extracted from the XHTML format in an XBRL instance, due to certain technical limits may not be reproduced identically with respect to the corresponding information displayable in the consolidated budget in XHTML format.

¹ CDP S.p.A. holds 59.10%.

Accounting standards, amendments and interpretations issued by the IASB (International Accounting Standards Board), approved by the European Union (EU) and in force since 1/1/2023

The following provisions issued by the IASB (International Accounting Standards Board) entered into effect in the European Union on 1 January 2023:

On 12 February 2021, the IASB published the “**Definition of Accounting Estimates (Amendments to IAS 8)**” document to help entities distinguish between changes in accounting policies and changes in accounting estimates. Specifically, changes in accounting policies must be applied retroactively, while changes in accounting estimates must be accounted for prospectively. The amendments to IAS 8 focus on accounting estimates, clarifying that such estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. A change in the accounting estimate that results from new information or new developments is therefore not the correction of an error and may affect only the current period’s profit or loss, and/or the profit or loss of future periods.

On 12 February 2021, the IASB issued the “**Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)**” document, containing amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. IAS 1 states that “an entity shall disclose its significant accounting policies”, but no definition is provided for the term “significant” (material). Therefore, the IASB amended/supplemented the standard with information that an entity can use to identify material accounting policy information. For example, it is clarified that a policy is material if changing it has a significant impact on disclosures in the financial statements or if its application requires significant estimates. The amendments also clarify that the accounting policy information may be: (i) material because of its nature, even if the related amounts are immaterial; (ii) material if users of an entity’s financial statements would need it to understand other material information in the financial statements; (iii) extended to immaterial information, as long as this does not obscure material information. In addition, the IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the “materiality process”.

On 7 May 2021, the IASB published the “**Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)**” document, with which, with a view to standardising the treatment followed by companies, it was clarified that from initial recognition of single transactions (e.g. leasing or asset dismantling charges), it is necessary to account for the resulting temporary differences in the event that deferred tax assets or liabilities arise.

On 9 December 2021, the IASB published the document “**Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendment to IFRS 17)**”, which allows insurance companies to improve the content of the comparative statements between different accounting periods which must be presented by the same entities upon first-time application of IFRS 17 and IFRS 9. Application of this amendment is deferred until insurance companies apply IFRS 17 for the first time

On 23 May 2023, the International Accounting Standards Board (IASB) published the “**International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12)**” in order to specify how the forthcoming implementation of the OECD’s Pillar Two rules on accounting for income taxes will be implemented. In March 2022, the OECD published technical guidance, based on the establishment of a global minimum tax of 15% agreed as the second “pillar” of a project to address the tax challenges arising from the digitisation of the economy. This guide explores the application and operation of the Global Anti-Base Erosion (GloBE) rules agreed and published in December 2021, which establish a coordinated system to ensure that multinational corporations with revenues in excess of € 750 million pay taxes of at least 15% on income from each of the jurisdictions in which they operate. With regard to the application of this criterion, the IASB noted that the aforementioned second pillar is difficult to apply to estimates of deferred taxes, given that jurisdictions implement OECD rules at varying speeds and at different times. Due to the many variables to be considered, the IASB has therefore decided to grant an exemption until the global tax system has stabilised and the IASB can thoroughly assess the situation and provide applicable criteria. In any event, the obligation exists to disclose that the exemption has been applied and to separately disclose current tax (income) expenses related to second-pillar income taxes. The disclosure provisions are required for financial years beginning on or after 1 January 2023.

The adoption of these amendments had no effect on the Consolidated Financial Statements of the Group.

Accounting standards, amendments and interpretations not yet approved by the European Union as at the date of reference of 31 December 2023

On 29 September, the "Amendments to the 'IFRS for SMEs' Standard" was published to align the requirements of the standard with the similar amendments to IAS 12 "Income Taxes" mentioned above.

On 25 May 2023, the International Accounting Standards Board (IASB) published the "**Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)**", which is an amendment to be applied in the case of arrangements involving supplier financing, in order to require additional qualitative and quantitative information to be provided by the financing entity with respect to existing obligations. Such information relates to the characteristics of the arrangements, carrying amounts, impacts on the entity's cash flows, etc. In addition, the IASB has decided that, in most cases, aggregate information about an entity's supplier financing arrangements meets the information requirements of users of financial statements. The amendments to IAS 7, and consequently IFRS 7, apply for annual periods beginning on or after 1 January 2024 (with early application permitted).

On 15 August 2023, the International Accounting Standards Board (IASB) published "**Lack of Exchangeability (Amendments to IAS 21)**", an amendment that contains the criteria for determining when one currency is convertible into another and how to determine the exchange rate when it is not. This amendment specifies that a currency is a convertible currency when an entity is able to exchange that currency for another through markets or exchange mechanisms that create rights and obligations applicable without undue delay at the valuation date and for a specific purpose; a currency is not exchangeable for another if an entity can obtain only a small amount of the other currency. It also defines how to determine the exchange rate to be applied when a currency is not convertible, in this case at the valuation date, the spot exchange rate is estimated as the rate that would have been applied to a transaction ordered between market participants at the valuation date and that would faithfully reflect existing economic conditions. Furthermore, additional disclosures are required when a currency is not convertible: in particular, in such a case, information must be provided to allow readers of the financial statements to assess how the inability to convert a currency affects, or is expected to affect, profit or loss, financial position and cash flows.

The amendments will come into force on 1 January 2025 and early application is permitted.

The adoption of such amendments is not expected to have effects on the Consolidated Financial Statements of the Group.

2. CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of Italgas S.p.A. and of the companies over which the Company has the right to exercise direct or indirect control, as defined by IFRS 10 – “Consolidated Financial Statements”. Specifically, control exists where the controlling entity simultaneously:

- has the power to make decisions concerning the affiliate;
- is entitled to receive a share of or is exposed to the variable profits and losses of the affiliate;
- is able to exercise power over the affiliate in such a way as to affect the amount of its economic returns.

The proof of control must be verified on an ongoing basis by the Company, with a view to identifying all the facts or circumstances that may imply a change in one or more of the elements on which the existence of control over an affiliate depends.

Consolidated companies, joint ventures, associates and other significant equity investments are indicated separately in the Appendix “Subsidiaries, associates and equity investments of Italgas S.p.A. as at 31 December 2023”, which is an integral part of these notes.

All financial statements of consolidated companies close at 31 December and are presented in Euro.

Companies included in the scope of consolidation

Figures relating to subsidiaries are included in the consolidated financial statements from the date on which the Company assumes direct or indirect control over them until the date on which said control ceases to exist.

The assets, liabilities, income and expenses of the consolidated companies are consolidated line-by-line in the consolidated financial statements (full consolidation); the book value of the equity investments in each of the subsidiaries is derecognised against the corresponding portion of shareholders’ equity of each of the participated entities, inclusive of any adjustments to the fair value of the assets and liabilities on the date of acquisition of control.

The portions of equity and profit or loss attributable to minority interests are recorded separately in the appropriate items of shareholders’ equity, the income statement and the statement of comprehensive income.

Changes in the equity investments held directly or indirectly by the Company in subsidiaries that do not result in a change in the qualification of the investment as a subsidiary are recorded as equity transactions. The book value of the shareholders’ equity pertaining to shareholders of the parent company and minority interests are adjusted to reflect the change in the equity investment. The difference between the book value of minority interests and the fair value of the consideration paid or received is recorded directly under shareholders’ equity pertaining to shareholders of the parent company.

Otherwise, the selling of interests entailing loss of control requires the posting to the income statement of: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding portion of consolidated shareholders’ equity transferred; (ii) the effect of the revaluation of any residual equity investment maintained, to align it with the relative fair value; and (iii) any amounts posted to other components of comprehensive income relating to the former subsidiary which will be reversed to the income statement. The fair value of any equity investment maintained at the date of loss of control represents the new book value of the equity investment, and therefore the reference value for the successive valuation of the equity investment according to the applicable valuation criteria.

Equity investments in associates and joint ventures

An associate is a participated company in relation to which the investor holds significant influence or the power to participate in determining financial and operating policies but does not have control or joint control². It is assumed that the investor has significant influence (unless there is proof to the contrary) if it holds, directly or indirectly through subsidiaries, at least 20% of the exercisable voting rights.

² Joint control is the contractual sharing of control pursuant to an agreement, which exists only where the unanimous consent of all the parties that share power is required for decisions relating to significant activities.

A joint venture is a joint arrangement in which the parties that hold joint control have rights to the net assets subject to the arrangement and, therefore, have an interest in the jointly controlled corporate vehicle.

Business combinations

Business combinations are recorded using the acquisition method in accordance with IFRS 3 - "Business Combinations". Based on this standard, the consideration transferred in a business combination is determined at the date on which control is assumed, and equals the fair value of the assets transferred, the liabilities incurred or assumed, and any equity instruments issued by the acquirer. Costs directly attributable to the transaction are posted to the income statement when they are incurred.

The shareholders' equity of these participated companies is determined by attributing to each asset and liability its fair value at the date of acquisition of control. If positive, any difference from the acquisition or transfer cost is posted to the asset item "Goodwill"; if negative, it is posted to the income statement.

Where total control is not acquired, the share of shareholders' equity attributable to minority interests is determined based on the share of the current values attributed to assets and liabilities at the date of acquisition of control, net of any goodwill (the "partial goodwill method"). Alternatively, the full amount of the goodwill generated by the acquisition is recognised, therefore also taking into account the portion attributable to minority interests (the "full goodwill method"). In this case, minority interests are expressed at their total fair value, including the attributable share of goodwill. The choice of how to determine goodwill ("Partial goodwill method" or "Full goodwill method") is made based on each individual business combination transaction.

If control is assumed in successive stages, the acquisition cost is determined by adding together the fair value of the equity investment previously held in the acquired company and the amount paid for the remaining portion. The difference between the fair value of the previously held equity investment (redetermined at the time of acquisition of control) and the relative book value is posted to the income statement. Upon acquisition of control, any components previously recorded under other components of comprehensive income are posted to the income statement or to another item of shareholders' equity, if no provisions are made for reversal to the income statement.

When the values of the assets and liabilities of the acquired entity are determined provisionally in the financial year in which the business combination is concluded, the figures recorded are adjusted, with retroactive effect, no later than 12 months after the acquisition date, to take into account new information about facts and circumstances in existence at the acquisition date.

Business combinations involving entities under joint control

Business combinations involving companies that are definitively controlled by the same company or companies before and after the transaction, and where such control is not temporary, are classed as "business combinations of entities under common control". Such transactions do not fall within the scope of application of IFRS 3 and are not governed by any other IFRS. In the absence of a reference accounting standard, the selection of an accounting standard for such transactions, for which a significant influence on future cash flows cannot be established, is guided by the principle of prudence, which dictates that the principle of continuity be applied to the values of the net assets acquired. The assets are measured at the book values from the financial statements of the companies being acquired predating the transaction or, where available, at the values from the consolidated financial statements of the common ultimate parent. With regard to business transfers under common control, the transferee entity should record the business transferred at its historical book value increasing its shareholders' equity by this amount; the transferring entity will record the equity investment in the transferee entity for the same amount as the increase in the shareholders' equity of the latter.

This accounting treatment is based on the Preliminary Guidelines on IFRS (OPI 1 Revised) - "Accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements" issued by Assirevi in October 2016.

2 CONSOLIDATED FINANCIAL STATEMENTS

Intragroup transactions that are eliminated in the consolidation process

Unrealised gains from transactions between consolidated companies are derecognised, as are receivables, payables, income, expenses, guarantees, commitments and risks between consolidated companies. The portion pertaining to the Group of unrealised gains with companies valued using the equity method is derecognised. In both cases, intragroup losses are not derecognised because they effectively represent impairment of the asset transferred.

3. MEASUREMENT CRITERIA

The most significant measurement criteria adopted when preparing the consolidated financial statements are described below.

Property, plant and equipment

Property, plant and equipment is recognised at the cost of purchase or production, including directly allocable ancillary costs needed to make the assets available for use.

Property, plant and equipment may not be revalued, even through the application of specific laws.

The costs of incremental improvements, upgrades and transformations to/value of property, plant and equipment are posted to assets when it is likely that they will increase the future economic benefits expected. The costs of replacing identifiable components of complex assets are allocated to balance sheet assets and depreciated over their useful life. The remaining book value of the component being replaced is allocated to the income statement. Ordinary maintenance and repair expenses are posted to the income statement in the period when they are incurred.

If impairment indicators are present, the book value of property, plant and equipment is verified to identify any impairment (see the paragraph "Impairment of property, plant and equipment and intangible assets with a finite useful life" for more details).

Rights of use

A contract is, or contains, a lease if it attributes to an undertaking the right to control the use of an identified asset for a certain period of time in exchange for consideration.

For leases with a duration of over 12 months, (i) an asset, within the item "Property, plant and equipment", which is representative of the right of use of the assets, and (ii) a financial liability representative of the obligation to make the payments envisaged by the contract, are posted to the financial statements at the effective date, i.e. when the asset is made available for use.

The cost of the asset consisting of right of use comprises:

- a. the amount of the initial measurement of the liability of the lease;
- b. the payments due for the lease made on the date or before the starting date, net of lease incentives received;
- c. the initial direct costs incurred;
- d. the costs for dismantling and restoring the site.

The liabilities of the leases include the following payments for the right of use of the underlying asset along the duration of the lease unpaid as at the starting date:

- a. the fixed payments, net of any lease incentives receivable;
- b. the variable payments due for the lease that depend on an index or rate;
- c. the amounts payable by way of warranties of the residual value;
- d. the price for exercising the right to purchase where there is the reasonable certainty of exercising the option;
- e. the payments of lease termination penalties where lease termination is provided for.

The discount rate used is the embedded interest rate of the lease for the remaining duration of the lease, if such rate is not easy to determine, the marginal loan interest rate of the Group as at the recalculation date is used.

In determining the duration of the lease, the Group considered the presence of renewal and cancellation options respectively for the lessee, the lessor or both.

As the standard allows, the short-term leases and the leases for assets of a modest amount were excluded.

The duration of the lease is calculated by taking into account the non-voidable lease period, together with any periods covered by an option to extend the agreement if it is reasonably certain that this option will be exercised, or any period covered by an option to terminate the lease contract, if the Group deems it reasonably certain that such option will not be exercised.

In the event of any significant changes in events and circumstances under the Group's control that make it appropriate to change the assessment of the reasonable certainty of exercising the options, the Group will redetermine the duration of the lease.

After initial recognition, the right-of-use asset is adjusted to take into account (i) the amortisation portions, (ii) any impairment losses and (iii) the related effects and any restatements of the leasing liability.

Depreciation of property, plant and equipment

Property, plant and equipment is systematically depreciated on a straight-line basis over its useful life, defined as the period of time in which it is expected that the company may use the asset. Depreciation starts when the asset is available and ready for use.

The amount to be depreciated is the book value, reduced by the projected net realisable value at the end of the asset's useful life, if this is significant and can be reasonably determined.

The table below shows the annual depreciation rates used for the year in question, broken down into homogeneous categories, together with the relevant period of application:

	Annual amortisation rate (%)
Land and building	
- Industrial buildings	2%
- Civil buildings	3%
Plant and equipment	
- Other plant and equipment	4% - 6,6%
Industrial and commercial equipment	
- Office furniture and machinery	12% - 33,3%
- Transportation vehicles	20% - 25%
Rights of use	duration of the lease agreement

When an item recorded under property, plant and equipment consists of several significant components with different useful lives, a component approach is adopted, whereby each individual component depreciates separately.

Land is not depreciated, even if purchased in conjunction with a building; neither is property, plant and equipment held for sale (see the "Non-current assets held for sale" section).

Depreciation rates are reviewed each year and are altered if they do not adequately reflect the future benefits expected. Any changes to the depreciation plan arising from revision of the useful life of an asset, its residual value or ways of obtaining economic benefit from it are recognised prospectively.

Freely transferable assets are depreciated during the period of the concession or of the useful life of the asset, if lower.

Intangible assets

Intangible assets are those assets without identifiable physical form which are controlled by the company and capable of producing future economic benefits, as well as goodwill, when purchased for consideration. Intangible assets are reported at the cost of purchase or internal production, when their use is likely to generate future benefits and the relative cost can be reliably determined.

They may not be revalued, even through the application of specific laws.

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Development costs are only recognised as intangible assets when the Group can prove the technical feasibility of completing the intangible asset and can demonstrate that it has the ability, intention and available resources to complete the asset for use or sale. Research costs are recognised in the income statement.

Intangible fixed assets with a finite useful life are measured at cost, net of amortisation and accumulated impairment losses. Goodwill and other intangible assets with an indefinite useful life are not subject to amortisation, but are tested at each reporting date, as provided for by IAS standard 36, to check for impairment losses to be reflected in the financial statements.

Intangible assets are eliminated at the time they are decommissioned, or when no future economic benefit is expected from their use; the related profit or loss is posted in the income statement.

Service concession arrangements

Intangible assets include service concession agreements between the public and private sectors for the development, financing, management and maintenance of infrastructures under concession in which: (i) the grantor controls or regulates the services provided by the operator through the infrastructure and the related price to be applied; and (ii) the grantor controls any significant remaining interest in the infrastructure at the end of the concession by owning or holding benefits, or in some other way. The provisions relating to the service concession agreements are applicable for Italgas in its role as a public service distributor of natural gas and other gases, i.e. they are applicable to the agreements under which the operator is committed to providing the public natural gas distribution service at the tariff established by the ARERA, in Italy, and the Regulatory Authority for Energy (RAE or PAE from Ρυθμιστική Αρχή Ενέργειας) (each separately or jointly "Authority"), in Greece, holding the right to use the infrastructure, which is controlled by the grantor, for the purposes of providing the public service. These provisions also apply to the integrated water service agreements.

The Group applies the intangible asset model as provided for by IFRIC 12 for the accounting of service concession agreements. The intangible asset is accounted for at the cost both on initial recognition and for subsequent recognition. Network construction activities and other services are recognised and measured applying IFRS 15. Construction services and improvements carried out on behalf of the grantor are accounted for as changes to work in progress on order.

Amortisation of intangible assets

Intangible assets with a finite useful life are amortised systematically over their useful life, which is understood to be the period of time in which it is expected that the company may use the asset. Amortisation starts when the asset is ready for use.

The amount to be amortised is the book value, reduced by the projected net realisable value at the end of the asset's useful life if this is significant and can be reasonably determined.

The table below shows the annual amortisation rates used for the year in question, broken down into homogeneous categories, together with the relevant period of application:

	Annual amortisation rate (%)
Patent rights and intellectual property rights	20% - 33.3%
Concession expenses	Depending on the duration of the agreement
Land and buildings (concession agreements)	
- Industrial buildings	1.67% - 5%
- Light constructions	9% - 10%
Plant and equipment (concession agreements)	
- Gas distribution network	1.67% - 5%
- Principal and secondary facilities	4% - 6%
- Gas derivation plants	2% - 10%
Industrial and commercial equipment (concession agreements)	
- Metering and control equipment	6.7% - 20%

Subsidies

Capital grants given by public authorities are recognised when there is reasonable certainty that the conditions imposed by the granting government agencies for their allocation will be met, and they are recognised as a reduction to the purchase, transfer or production cost of the related assets.

Operating grants are recognised in the income statement on an accrual basis, consistent with the relative costs incurred.

Impairment of non-financial fixed assets

Impairment of property, plant and equipment and intangible assets with a finite useful life

When events occur leading to the assumption of impairment of property, plant and equipment or intangible assets with a finite useful life, their recoverability is tested by comparing the book value with the related recoverable value, which is the fair value adjusted for disposal costs (see "Fair value measurement") or the value in use, whichever is greater.

As regards the non-financial fixed assets falling within the scope of the regulated activities, the recoverable value is determined considering: (i) the amount quantified by the Authority based on the rules used to define the tariffs for provision of the services for which they are intended; (ii) any value that the Group expects to recover from their sale or at the end of the concession governing the service for which they are intended; (iii) the cash flows expected from the use of the asset and, if they are significant and can be reasonably determined, from its sale at the end of its useful life, net of any disposal costs. Similarly to what happens for the quantification of tariffs, also the quantification of the recoverable value of the assets falling within the scope of regulated activities takes place on the basis of current regulatory provisions.

With reference to non-financial fixed assets not falling within the scope of the regulated activities, the value in use is determined by discounting projected cash flows resulting from the use of the asset and, if they are significant and can be reasonably determined, from its sale at the end of its useful life, net of any disposal costs. Cash flows are determined based on reasonable, documentable assumptions representing the best estimate of future economic conditions which will occur during the remaining useful life of the asset, with a greater emphasis on outside information. Discounting is done at a rate reflecting current market conditions for the time value of money and specific risks of the asset not reflected in the estimated cash flows.

The valuation is done for individual assets or for the smallest identifiable group of assets which, through ongoing use, generates incoming cash flow that is largely independent of those of other assets or groups of assets ("Cash-Generating Units" or CGUs).

The following are the Group's identified CGUs: Distribution and metering of natural and other gases (regulated activity), Distribution and metering of natural gas abroad (regulated activity), Sale of natural and other gases, Integrated water service (regulated activity), Other activities (ESCos).

If the reasons for impairment losses no longer apply, the assets are revalued, and the adjustment is posted to the income statement as a revaluation (recovery of value). The recovery of value is applied to the lower of the recoverable value and the book value before any impairment losses previously carried out, less any amortisation that would have been recorded if an impairment loss had not been recorded for the asset.

Impairment of goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use

The recoverability of the book value of goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use is tested at least annually, and in any case when events occur leading to an assumption of impairment. Goodwill is tested at the level of the smallest aggregate, on the basis of which the Company's management directly or indirectly assesses the return on investment, including goodwill. When the book value of the CGU, including the goodwill attributed to it, exceeds the recoverable value, the difference is subject to impairment, which is attributed by priority to the goodwill up to its amount; any surplus in the impairment with respect to the goodwill is attributed pro rata to the book value of the assets which constitute the CGU. Goodwill impairment losses cannot be reversed.

Investments valued using the equity method

Equity investments in joint ventures and associates are valued using the equity method.

In applying the equity method, equity investments are initially recognised at cost and subsequently adjusted to take into account: (i) the participant's share of the results of operations of the affiliate after the date of acquisition, and (ii) the share of the other components of comprehensive income of the affiliate. Dividends paid out by the affiliate are recognised net of the book value of the equity investment. For the purposes of applying the equity method, the adjustments provided for the consolidation process are taken into account (see also the "Consolidation principles" section).

In the case of assumption of an association (joint control) in successive phases, the cost of the equity investment is measured as the sum of the fair value of the interests previously held and the fair value of the consideration transferred on the date on which the investment is classed as associated (or under joint control). The effect of revaluing the book value of the equity investments held prior to assumption of association (or joint control) is posted to the income statement, including any components recognised under other components of comprehensive income. When the transfer of equity investments entails loss of joint control or significant influence over the affiliate, the following are recognised in the income statement: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding portion of the booked amount transferred; (ii) the effect of the revaluation of any residual equity investment maintained, to align it with the relative fair value; and (iii) any amounts posted to other components of comprehensive income relating to the affiliate that will be taken to the income statement. The value of any equity investment maintained, aligned with the relative fair value at the date of loss of joint control or significant influence, represents the new book value, and therefore the reference value for the successive valuation according to the applicable valuation criteria.

If there is objective evidence of impairment, the recoverability of the amount recognised is tested by comparing the book value with the related recoverable value determined using the criteria indicated in the section "Impairment of non-financial fixed assets".

When the reasons for the impairment losses entered no longer apply, equity investments are revalued up to the amount of the impairment losses entered with the effect posted to the income statement under "Income (expense) from equity investments".

The parent company's share of any losses of the participated company, greater than the equity investment's book value, is recognised in a special provision to the extent that the parent company is committed to fulfilling its legal or implied obligations to the participated company or, in any event, to covering its losses.

Minority interests

Financial assets representing minority interests, since they are not held for trading, are measured at fair value with the effects recognised in the income statement.

Inventories

Inventories, including meters, are recorded at the lower of purchase or production cost and net realisable value, which is the amount that the company expects to receive from their sale in the normal course of business.

The cost of natural gas inventories is determined using the weighted average cost method.

The value of obsolete and slow-moving inventories is written down in relation to the possibility of use or realisation, through the allocation of a specific obsolescence fund.

Cash and cash equivalents

Cash and cash equivalents include cash amounts, on demand deposits, and other short-term financial investments with a term of less than three months, which are readily convertible into cash and for which the risk of a change in value is negligible.

They are recorded at their nominal value, which corresponds to the fair value.

Financial instruments

Financial instruments are any contracts that give rise to a financial asset for one entity and a financial liability or equity instrument for another entity; they are recognised and measured in accordance with IAS 32 and IFRS 9.

Financial assets - debt instruments

Depending on the characteristics of the instrument and of the business model adopted for its management, financial assets representing debt instruments are classified in the following three categories: (i) financial assets measured at amortised cost; (ii) financial assets measured at fair value with the effects recognised in the other comprehensive income components (hereinafter also referred to as OCI); (iii) financial assets measured at fair value with the effects recognised in the income statement.

Initial recognition is at fair value; for those trade receivables without a significant financial component, the initial recognition value is represented by the transaction price.

Following initial recognition, the financial assets that generate contractual cash flows representing only payments of capital and interest are measured at amortised cost if held with the aim of collecting their contractual cash flows (so-called hold to collect business model). Based on the amortised cost method, the initial book value is then adjusted to account for repayments of principal, any impairment losses and the amortisation of the difference between the repayment amount and the initial book value.

Amortisation is carried out using the effective internal interest rate, which represents the rate that would make the present value of projected cash flows and the initial book value equal at the time of the initial recording.

The receivables and other financial assets measured at amortised cost are presented in the balance sheet net of their provision for impairment losses.

The financial assets representing debt instruments whose business model includes both the possibility to collect contractual cash flows and the possibility to realise capital gains on transfers (so-called hold to collect and sell business model) are measured at fair value with the effects recorded on OCI (hereinafter also FVTOCI).

In this case the fair value changes in the instrument are recognised in shareholders' equity amongst the other components of comprehensive income. The cumulative amount of the changes in fair value, recognised in the shareholders' equity provision that includes the other components of comprehensive income, is reversed to the income statement when the instrument is derecognised. The interest income, calculated using the effective interest rate, exchange rate differences and impairment losses, is recognised on the income statement.

A financial asset representing a debt instrument that is not measured at amortised cost or at FVTOCI is measured at fair value with the effects recognised in the income statement (hereinafter referred to as FVTPL).

When the purchase or sale of financial assets is made according to a contract requiring that the transaction be regulated and that the asset be delivered within a certain number of days, established by the market control authorities or by market agreements (e.g. purchase of securities on regulated markets), the transaction is recognised on the settlement date.

Disposals of financial assets are derecognised in the balance sheet when the contractual rights connected to obtaining the cash flows associated with the financial instrument expire or are transferred to third parties.

Impairment of financial assets

Recoverability of the financial assets representing debt instruments not measured at fair value with effects on the income statement is measured on the basis of the so-called "expected credit loss model".

In particular, the expected losses are generally determined based on the product between: (i) the exposure to the counterparty net of the relevant mitigants (Exposure At Default, EAD); (ii) the probability that the counterparty does not meet its payment obligation (Probability of Default, PD); (iii) the estimate, in percentage terms, of the amount of credit that will be unable to be recovered

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in case of default (Loss Given Default, LGD) defined on the basis of prior experiences and possible attemptable recovery actions (e.g. out-of-court actions, legal disputes, etc.).

To this regard, to determine the probability of default of the counterparties the internal ratings already used for the assignment were adopted; the probability of default for the counterparties represented by state entities and in particular for the national oil companies, basically depicted by the probability of a late payment, is determined using the country risk premiums adopted to determine WACCs for the impairment of the non-financial assets as input.

For the retail customers not characterised by internal ratings, measurement of the expected losses is based on a matrix provision built by grouping, if advisable, the receivables in appropriate clusters to which impairment percentages defined on the basis of prior loss experience are applied. If necessary, those percentages are adjusted to take into account forward looking information on the credit risk of the counterparty or of clusters of counterparties.

Financial liabilities

Financial liabilities other than derivative instruments, including financial payables, trade payables, other payables and other liabilities, are initially recorded at fair value less any transaction-related costs; they are subsequently recognised at amortised cost using the effective interest rate for discounting, as demonstrated in "Financial assets" above.

Financial liabilities are derecognised upon extinguishment or upon fulfilment, cancellation or maturity of the contractual obligation.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset in the balance sheet when there is the currently exercisable legal right to compensation and there is the intention of settling the transaction on a net basis (i.e. realizing the asset and at the same time extinguishing the liability).

Derivative financial instruments and hedge accounting

Derivative financial instruments, including embedded derivatives, are assets and liabilities recognised at fair value according to the criteria indicated under the following point "Fair value measurement".

As part of the strategy and objectives defined for risk management, defining transactions as hedging requires: (i) checking the existence of an economic ratio between hedged object and hedging instrument such as to achieve the offsetting of the relevant changes in value and that this offsetting ability is not invalidated by the counterparty's level of credit risk; (ii) the definition of a ratio consistent with the risk management objectives within the scope of the defined risk management strategy, taking the appropriate rebalancing actions if necessary. The changes introduced to the risk management objectives, the conditions previously specified for defining transactions as hedging not met, or implementation of rebalancing transactions bring about the total or partial prospective interruption of the hedging.

When the hedge derivatives cover the risk of change in the fair value of the instruments to be hedged (fair value hedge; e.g. hedging the variability of the fair value of fixed rate asset/liability), the derivatives are recognised at fair value with the effects recorded in the income statement; consistently, the hedged instruments are adjusted to reflect the changes in fair value associated with the hedged risk in the income statement, regardless of the forecast of a different measurement criterion usually applicable to the type of instrument.

When the derivatives cover the risk of change in the cash flows of the hedged instruments (cash flow hedge; e.g. hedging the variability of the asset/liability cash flows due to fluctuations in interest rates or exchange rates), the changes in fair value of the derivatives considered effective are initially recognised in the shareholders' equity provision pertaining to the other components of comprehensive income and afterwards recorded in the income statement in line with the economic effects generated by the hedged transaction. In the case of hedging future transactions involving the recognition of a non-financial asset or liability, the cumulative changes in the fair value of the hedge derivatives recognised in the shareholders' equity are recorded to adjust the book value of the asset/liability of the non-financial asset/liability hedged (basis adjustment).

The non-effective portion of the hedge is recognised in the income statement item "Financial (expense)/income".

The changes in the fair value of the derivatives that do not meet the conditions to be defined as hedging, including any ineffective components of the hedge derivatives, are recorded in the income statement. Specifically, the changes in fair value of the non-hedge derivatives on interest rates and currencies are recognised in the income statement item "Financial (expense)/income".

The embedded derivatives incorporated in financial assets are no longer separated in accounting; in this case, the entire hybrid instrument is classified based on the general financial asset classification criteria. The embedded derivatives incorporated in financial liabilities and/or non-financial assets are separated by the main contract and are recognised separately if the embedded instrument: (i) meets the definition of derivative; (ii) as a whole is not measured at fair value with the effects recognised in the income statement (FVTPL); (iii) if the characteristics and risks of the derivative are not closely tied to those of the main contract. The existence of embedded derivatives to separate and measure separately is checked when the company joins the contract and afterwards when there are amendments to the conditions of the contract that bring about significant changes in the cash flows it generates.

Fair value measurement

The fair value is the amount that may be received for the sale of an asset or that may be paid for the transfer of a liability in a regular transaction between market operators as at the valuation date (i.e. exit price).

The fair value of an asset or liability is determined by adopting the valuations that market operators would use to determine the price of the asset or liability. A fair value measurement also assumes that the asset or liability would be traded on the main market or, failing that, on the most advantageous market to which the Company has access.

The fair value of a non-financial asset is determined by considering the capacity of market operators to generate economic benefits by putting the asset to its highest and best use or by selling it to another market participant capable of using it in such a way as to maximise its value. The maximum and best use of an asset is determined from the perspective of market operators, also hypothesising that the company intends to put it to a different use; the current use by the company of a non-financial asset is assumed to be the maximum and best use of this asset, unless the market or other factors suggest that a different use by market operators would maximise its value.

The fair-value measurement of a financial or non-financial liability, or of an equity instrument, takes into account the quoted price for the transfer of an identical or similar liability or equity instrument; if this quoted price is not available, the valuation of a corresponding asset held by a market operator as at the valuation date is taken into account. The fair value of the financial instruments is determined considering the credit risk of the counterparty of a financial asset ("Credit Valuation Adjustment" - CVA) and the risk of default by the same entity with reference to a financial liability ("Debit Valuation Adjustment" - DVA).

When determining fair value, a hierarchy is set out consisting of criteria based on the origin, type and quality of the information used in the calculation. This classification aims to establish a hierarchy in terms of the reliability of the fair value, giving precedence to the use of parameters that can be observed on the market and that reflect the assumptions that market participants would use when valuing the asset/liability. The fair value hierarchy includes the following levels:

- level 1: inputs represented by (unmodified) quoted prices on active markets for assets or liabilities identical to those that can be accessed as at the valuation date;
- level 2: inputs, other than the quoted prices included in Level 1, that can be directly or indirectly observed for the assets or liabilities to be valued;
- level 3: inputs that cannot be observed for the asset or liability.

In the absence of available market quotations, the fair value is determined by using valuation techniques suitable for each individual case that maximise the use of significant observable inputs, whilst minimising the use of non-observable inputs.

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Non-current assets held for sale

Non-current assets and current and non-current assets of disposal groups are classified as held for sale if the relative book value will be recovered mainly by their sale rather than through their continued use. This condition is regarded as fulfilled when the sale is highly probable, and the asset or discontinued operations are available for immediate sale in their current condition. In the case of a programme for the sale of a subsidiary that results in loss of control, all assets and liabilities of that affiliate are classified as held for sale, regardless of whether a non-controlling investment is maintained following the sale. Checking that the conditions required to classify an item as held for sale requires that the Company's management made subjective assessments and formulate reasonable and realistic assumptions based on the information available.

Non-current assets held for sale, current and non-current assets related to disposal groups and directly associated liabilities are recognised in the Statement of Financial Position separately from the Company's other assets and liabilities.

The assets and liabilities falling within a disposal group are measured according to the accounting standards applicable to them right before being classified as held for sale. Afterwards, the non-current assets held for sale and non-current assets in disposal groups are not amortised or depreciated and are measured at the lower between the book value and the related fair value, less any sales costs (please refer to the forgoing point "Fair value measurement").

The classification as "held for sale" of equity investments valued using the equity method implies suspended application of this measurement criterion. Therefore, in this case, the book value is equal to the value resulting from the application of the equity method at the date of reclassification.

Any negative difference between the book value of the non-current assets and the fair value less selling costs is posted to the income statement as an impairment loss; any subsequent recoveries in value are recognised up to the amount of the previously recognised impairment losses, including those recognised prior to the asset being classified as held for sale.

Provisions for risks and charges

Provisions for risks and charges concern costs and charges of a certain nature which are certain or likely to be incurred, but for which the amount or date of occurrence cannot be determined at the end of the year.

Provisions are recognised when: (i) the existence of a current legal or implied obligation arising from a past event is probable; (ii) it is probable that the fulfilment of the obligation will involve a cost; and (iii) the amount of the obligation can be reliably determined. Provisions are recorded at a value representing the best estimate of the amount that the company would reasonably pay to fulfil the obligation or to transfer it to third parties at the end of the reporting period. Provisions related to contracts with valuable consideration are recorded at the lower of the cost necessary to fulfil the obligation, less the expected economic benefits deriving from the contract, and the cost to terminate the contract.

When the financial impact of time is significant, and the payment dates of the obligations can be reliably estimated, the provision is calculated by discounting the anticipated cash flows in consideration of the risks associated with the obligation at the Company's average debt rate; the increase in the provision due to the passing of time is posted to the income statement under "Financial income (expense)".

When the liability is related to items of property, plant and equipment (e.g. site dismantlement and restoration), the provision is recognised as a counter-entry to the related asset and posting to the income statement is accomplished through depreciation. The costs that the Company expects to incur to initiate restructuring programmes are recorded in the period in which the programme is formally defined, and the parties concerned have a valid expectation that the restructuring will take place.

Provisions are periodically updated to reflect changes in cost estimates, selling periods and the discount rate; revisions in provision estimates are allocated to the same item of the income statement where the provision was previously reported or, when the liability is related to property, plant and equipment (e.g. site dismantling and restoration), as a contra-entry to the related asset, up to the book value; any surplus is posted to the income statement.

The notes to the financial statements describe contingent liabilities represented by: (i) possible (but not probable) obligations resulting from past events, the existence of which will be confirmed only if one or more future uncertain events occur which are partially or fully outside the Company's control; and (ii) current obligations resulting from past events, the amount of which cannot be reliably estimated, or the fulfilment of which is not likely to involve costs.

Provisions for employee benefits

Post-employment benefits

Post-employment benefits are defined according to programmes, including non-formalised programmes, which, depending on their characteristics, are classed as "defined-benefit" or "defined-contribution" plans.

▪ Defined-benefit plans

The liability with defined-benefit plans is determined by estimating the present value of the future benefits accrued by the employees during the current year and in previous years, and by calculating the fair value of any assets servicing the plan. The present value of the obligations is determined based on actuarial assumptions and is recognised on an accrual basis consistent with the employment period necessary to obtain the benefits.

Actuarial gains and losses relating to defined-benefit plans arising from changes in actuarial assumptions or experience adjustments are recognised in other comprehensive income in the period in which they occur and are not subsequently recognised in the income statement. When a plan is changed, reduced or extinguished, the relative effects are recognised in the income statement.

Net financial expense represents the change that the net liability undergoes during the year due to the passing of time. Net interest is determined by applying the discount rate to the liabilities, net of any assets servicing the plan. The net financial expense of defined-benefit plans is recognised in "Financial income (expense)".

▪ Defined-contribution plans

In defined-contribution plans, the Company's obligation is calculated, limited to the payment of state contributions or to equity or a legally separate entity (fund), based on contributions due.

The costs associated with defined-benefit contributions are recognised in the income statement as and when they are incurred.

Other long-term plans

Obligations relating to other long-term benefits are calculated using actuarial assumptions; the effects arising from the amendments to the actuarial assumptions or the characteristics of the benefits are recognised entirely in the income statement.

Distribution of dividends

The distribution of dividends to the Company's Shareholders entails the recording of a payable in the financial statements for the period in which distribution was approved by the Company's Shareholders or, in the case of interim dividends, by the Board of Directors.

Revenues

The recognition of revenues from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the price of the transaction; (iv) allocation of the price of the transactions to the performance obligations identified based on the standalone selling price of each good or service; (v) recognition of the revenue when its performance obligation has been met, or when the promised good or service is transferred to the customer; the transfer is considered completed when the customer gains control of the good or service, which can occur over time or at a specific point in time.

Regulated activities

As regards the activities carried out by the Italgas Group, revenues are recognised when the service is provided. The largest share of revenues relates to regulated activities, the income from which is governed by the regulatory framework established in Italy by the Italian Regulatory Authority for Energy, Networks and Environment (Autorità di Regolazione per Energia Reti e Ambiente, ARERA), in Greece by the Regulatory Authority for Energy (RAE). Therefore, the economic conditions of the services provided are defined in regulatory schemes and not on a negotiation basis.

In reference to the distribution and metering of natural gas in Italy, the difference between revenues recognised by the regulator ("Revenue cap") and actual accrued revenues are posted in the Statement of Financial Position under the item "Trade and other receivables" if positive, and under the item "Trade and other payables", if negative, in that it will be subject to monetary settlement by CSEA.

In reference to the distribution and metering of natural gas in Greece, the differential between revenues recognised by the Regulator and actual accrued revenues are posted, if positive, to the Statement of financial position under the item "Other current and non-current non-financial assets" and, if negative, to the item "Other current and non-current non-financial liabilities", since the operator has satisfied the related performance obligation and holds the title to recover or the obligation to return within subsequent regulation periods or at the end of the concession the amounts not charged or overcharged to customers during the financial year.

With regard to the recognition of revenues relating to the so-called "Municipalities in start-up", mainly concentrated in Sardinia, the remuneration mechanism provides for a limit ("cap") to tariff recognitions for investments in distribution networks for locations with year of first supply after 2017, in the amount of € 5,250 per re-delivery point, expressed at 2017 prices, determined by Resolution no. 704/2016/R/gas. Payment of the price by ARERA is made on the basis of the "three-phase" system, whereby the first phase lasts three years (in addition to the year of first supply), during which investments are recognised in full; this is then followed by a second phase during which a cap applies, calculated on the basis of a prospective valuation of the delivery points, which may potentially be connected to the network, based on the penetration curves of the typical users of each tariff area and, finally, a third phase, which starts from the sixth year of service management, during which, if the cap is exceeded, the investments recognised from the first year of service management will be cut retroactively. Resolution no. 525/2022/R/gas subsequently governed the operating procedures for application of the cap on the tariff recognition of capital costs in locations in the start-up phase and the application methods of the mechanism, relating in particular to the determination of the service deployment ratio and the procedures for verifying that the maximum unit expenditure threshold has been exceeded, for the second and third stages of the mechanism. In connection with these municipalities, the Group records the revenue on the basis of the RAB expected at the sixth year of supply, considering it to be highly likely that on the basis of the expected delivery points, there will not be any significant reversal of revenues accrued after resolving the uncertainty.

Allocations of revenues relating to services partially rendered are recognised by the fee accrued, as long as it is possible to reliably determine the stage of completion and there are no significant uncertainties over the amount and the existence of the revenue and the related costs; otherwise they are recognised within the limits of the actual recoverable costs.

Items of property, plant and equipment not used in concession services, transferred from customers (or realised with the cash transferred from customers) and depending on their connection to a network for the provision of supply, are recognised at fair value as a contra-entry to revenues in the income statement. When the agreement stipulates the provision of multiple services (e.g. connection and supply of goods), the service for which the asset was transferred from the customer is checked and, accordingly, the disclosure of the revenue is recognised on connection or for the shorter of the term of the supply and the useful life of the asset.

Revenues are recorded net of returns, discounts, allowances and bonuses, as well as directly related taxes.

Revenues are reported net of items involving regulation components, in addition to the Italian tariff, applied to cover gas system expenses of a general nature. Amounts received from Italgas

are paid in full to the Energy and Environmental Services Fund (CSEA). Gross and net presentation of revenue is described in more detail in the Notes to the consolidated financial statements (see "Revenues" note).

Since they do not represent sales transactions, exchanges between goods or services of a similar nature and value are not recognised in revenues and costs.

Energy efficiency

As part of energy efficiency activities, the Group, through its subsidiary Geoside, deals with the redevelopment and recovery activities of residential building stock, allowing customers to access the tax deductions permitted by the relevant legislation, such as the so-called Superbonus, introduced by art. 119 et seq. of Legislative Decree 34/2020 and subsequent amendments, as well as the so-called minor bonuses (i.e. Sismabonus, Ecobonus, etc.).

In particular, the energy efficiency business has developed as a result of the tax incentives provided by the legislator which, through the „tax credit transfer“ or „invoice discount“ mechanism, have facilitated access to end customers (mainly condominiums) to these efficiency measures, through the aforementioned tax incentive mechanisms.

Revenues are recognized over the contractual period (over-time), for an amount equal to the amount that the Group expects to receive for this operation based on the progress of the works.

Dividends received

Dividends are recognised at the date of the resolution passed by the Shareholders' Meeting, unless it is not reasonably certain that the shares will be sold before the ex-dividend date.

Costs

Costs are recognised in the period when they relate to goods and services sold or consumed during the same period or when it is not possible to identify their future use.

Costs sustained for share capital increases are recorded as a reduction of shareholders' equity, net of taxes.

Energy efficiency certificates

The Energy Efficiency Certificates purchased during the year are entered in the income statement at the cost borne. The relevant contribution that CSEA will pay at the time the certificates are cancelled is booked as a reduction of the cost borne and is calculated based on the repayment price scheduled at year-end. A special risk provision is allocated to cover the future expected charges to fulfil the year's objective calculated as the difference between the cost to be borne and its cancellation contribution.

Income taxes

Current income taxes are calculated by estimating the taxable income. Receivables and payables for current income taxes are recognised based on the amount which is expected to be paid/recovered to/from the tax authorities under the prevailing tax regulations and rates or those essentially approved at the reporting date.

Regarding the Italian corporation tax (IRES), Italgas has exercised the option to join the national tax consolidation scheme, to which all the consolidated companies have officially signed up. The projected payable is recognised under "Current income tax liabilities".

The regulations governing Italgas Group companies' participation in the national tax consolidation scheme stipulates that:

- subsidiaries with positive taxable income pay the amount due to Italgas. The taxable income of the subsidiary, used to determine the tax, is adjusted to account for the recovery of negative components that would have been non-deductible without the consolidation scheme (e.g. interest expense), the so-called ACE (help for economic growth) effect and any negative taxable income relating to the subsidiary's equity investments in consolidated companies;
- subsidiaries with negative taxable income, if and insofar as they have prospective profitability which, without the national tax consolidation scheme, would have enabled them to recognise

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deferred tax assets related to the negative taxable income on the separate financial statements, receive from their shareholders – in the event that these are companies with a positive taxable income or a negative taxable income with prospective profitability – or from Italgas in other cases, compensation amounting to the lower of the tax saving realised by the Group and the aforementioned deferred tax assets.

The Italian regional production tax (IRAP) is recognised under the item “Current income tax liabilities”/“Current income tax assets”.

Some Italian Group companies have adhered to the Italian national consolidation option, which makes it possible to determine current IRES on a taxable base that coincides with the algebraic sum of the positive and negative taxable income of the participating companies. Economic transactions, as well as the reciprocal responsibilities and obligations, are regulated by specific agreements between the parties, according to which, in the event of positive taxable income, the subsidiaries transfer the financial resources corresponding to the higher tax due by them as a result of their participation in the national consolidation scheme to the parent company and, in the event of negative taxable income, receive compensation equal to the relative tax savings achieved by the parent company.

As for Greece, corporate income tax is calculated according to the tax laws in force in the country. Current income tax includes those calculated based on the profits reported in the tax returns, the higher income taxes deriving from special provisions of the law or from tax audits by the Financial Administration and provisions for higher taxes and surcharges for tax periods not verified and are calculated according to the rates in force at the reporting date.

Deferred income tax assets and liabilities are calculated on the timing differences between the values of the assets and liabilities entered in the balance sheet and the corresponding values recognised for tax purposes, based on the prevailing tax regulations and rates or those essentially approved for future years. Deferred tax assets are recognised when their recovery is considered probable; specifically, the recoverability of deferred tax assets is considered probable when taxable income is expected to be available in the period in which the temporary difference is cancelled, allowing the activation of the tax deduction. Similarly, unused tax receivables and prepaid taxes on tax losses are recognised up to the limit of recoverability.

Deferred tax assets and deferred tax liabilities are classified under non-current assets and liabilities and are offset at individual company level if they refer to taxes which can be offset. The balance of the offsetting, if it results in an asset, is recognised under the item “Deferred tax assets”; if it results in a liability, it is recognised under the item “Deferred tax liabilities”. When the results of transactions are recognised directly in equity, prepaid and deferred current taxes are also posted to equity.

Income tax assets with elements of uncertainty are recognised when they are regarded as likely to be obtained.

Operating sectors

The Group operates mainly in gas distribution and metering services, and is residually active in gas sales, integrated water service, energy service company (ESCO) business and the IT services business.

With reference to DEPA Infrastructure Group, the main gas distribution operator in Greece, it is considered that the gas distribution service in Italy and in Greece present similar economic characteristics insofar as the DEPA Infrastructure Group carries out activities similar to those of Italgas in a market with a similar regulatory framework.

In addition, the two activities are similar with respect to:

- a. nature of the products and services, i.e. gas distribution and metering;
- b. the nature of the production processes, i.e. the development and maintenance of assets related to the gas distribution service under concession;
- c. type or class of customers according to their products and services, or sales companies;
- d. methods used to distribute its products or provide its services; i.e. transporting gas through local pipeline networks;
- e. nature of the regulatory environment, i.e. the operation of a regulated business that is essentially

based on the return on invested capital and the coverage of costs incurred by the operator. In fact, both regulatory systems guarantee a return on investment and coverage of the management costs regardless of volumes and the WACC formulas. They are entirely similar and essentially able to neutralise differences in risk between the two countries,

therefore, can be aggregated into a single operational sector.

In light of the above and in compliance with IFRS 8 which regulates reporting by business sector, the following segments have been identified:

- Gas distribution.
- Energy efficiency.
- Corporate and other sectors.

4. FINANCIAL STATEMENTS

The formats adopted for the preparation of the financial statements are consistent with the provisions of IAS 1 - "Presentation of financial statements" (hereinafter "IAS 1"). In particular:

- the Statement of Financial Position items are broken down into assets and liabilities, and then further into "current or non-current items"³;
- the Income Statement classifies costs by type, since this is deemed to be the best way of representing the Group's operations and is in line with international best practice;
- the Statement of Comprehensive Income shows the profit or loss in addition to the income and expense recognised directly in shareholders' equity as expressly provided for by the IFRS;
- the Statement of Changes in Shareholders' Equity reports the total income (expense) for the financial year, shareholder transactions and the other changes in Shareholders' equity;
- the Statement of Cash Flows is prepared using the "indirect" method, adjusting the profit for the year of non-monetary components.

It is believed that these statements adequately represent the Group's situation with regard to its Statement of Financial Position, Income Statement and Statement of Cash Flows.

Moreover, pursuant to Consob Resolution No. 15519 of 28 July 2006, any income and expense from non-recurring operations is shown separately in the income statement.

With regard to the same Consob Resolution, the balances of receivables/payables and transactions with related parties, described in more detail in the note "Related party transactions", are shown separately in the financial statements.

5. USE OF ESTIMATES

The application of generally accepted accounting principles for the preparation of financial statements involves management making accounting estimates based on complex and/or subjective judgements, estimates based on past experience and assumptions regarded as reasonable and realistic on the basis of the information known at the time of the estimate. The use of these accounting estimates has an influence on the book value of the assets and liabilities and on the information about potential assets and liabilities at the reporting date, as well as the amount of revenues and costs in the reference period. The actual results may differ from the estimated results owing to the uncertainty that characterises the assumptions and the conditions on which the estimates are based.

Details are given below about the main accounting estimates involved in the process of preparing the financial statements and interim reports, since they involve a high degree of recourse to subjective judgements, assumptions and estimates regarding matters that are by nature uncertain. Any change in the conditions forming the basis of the judgements, assumptions and estimates used could have a significant impact on results of subsequent years.

³ The assets and liabilities are classified as current if: (i) their realisation/settlement is expected in the company's normal operating cycle or within twelve months after the financial year-end; (ii) they are composed of cash or cash equivalents which do not have restrictions on their use over the twelve months following the year-end date; (iii) they are mainly held for trading purposes; or (iv) with reference to liabilities, the company does not have the unconditional right to defer settlement of the liability for at least twelve months from the financial year closing date.

Impairment of non-financial assets	<p>Measurement of tangible and intangible assets, including goodwill, requires recording of these in the financial statements for a value no higher than their recoverable value (so-called Impairment test). For activities in regulated sectors the fair value can be represented as follows is:</p> <ul style="list-style-type: none"> i. In Italy, the estimated value of net invested Capital updated to the balance sheet date attributed to these assets for tariff purposes (RAB - Regulatory Asset Base) by the Authority, RAB is the reference basis for determining the service tariffs and, therefore, the cash flows generated from assets. RAB value is defined using the revalued historical cost method for Fixed Capital and on a flat-rate basis for Working Capital net of capital contributions and contributions received, and on a flat-rate basis for the working capital and severance pay; ii. In Greece, the estimated value of net invested capital updated to the balance sheet date attributed to these assets for tariff purposes (RAB – Regulatory Asset Base) by the Authority, including the flat-rate value of the net working capital, where positive; iii. the reimbursement value (RV) valid for ATEM (Minimum Territorial Areas) tenders, which is the value to be paid to the operator selling the infrastructure after the tender procedure. In Greece, the reimbursement value is calculated as the value of the RAB at the date of interruption/expiry of the licence, increased by at least 15%; <p>Value in use refers to:</p> <ul style="list-style-type: none"> iv. the present value of the future cash flows expected to be derived from the asset being measured. These flows are determined in line with the most recent business plan approved by management, which is based not only on developments in the regulations, but also on estimates relating to reference market trends and investment and divestment decisions. In the process of determining the recoverable value, flows are discounted at a discount rate that reflects current market conditions, the time value of money and the specific risks of the asset. <p>More information on the impairment test carried out by the Company's management on property, Plant and equipment and on intangible Assets can be found in the "Impairment of non-financial fixed assets" section.</p> <p>The recoverable value is sensitive to the estimates and assumptions used to determine the total invested capital, cash flows and discount rates applied. Therefore, possible variations in the estimation of the factors on which the calculation of the aforesaid recoverable values is based could result in different measurements.</p> <p>Analysis of each of the groups of non-financial assets is unique and requires use by the company's management of estimates and assumptions considered prudent and reasonable in relation to the specific circumstances.</p>
Business combinations	<p>Recognition of business combination transactions requires determination of the fair value of any assets and liabilities acquired as a result of obtaining control of the business. With the help of independent professionals, the company's management measured the fair value of assets, liabilities and potential liabilities, on the basis of information on facts and circumstances available at the acquisition date. Determination of the fair value of assets and liabilities acquired is subject to estimates and measurements by the company's management. Possible variations in the estimation of the factors on which determination of the fair value is based could generate different measurements.</p> <p>Analysis of each business combination transaction is unique and requires use by the company's management of estimates and assumptions considered prudent and reasonable in relation to the specific circumstances.</p>
Environmental liabilities	<p>The Italgas Group is subject, in relation to its activities, to numerous laws and regulations on environmental protection at European, national, regional and local level, including the laws which implement international conventions and protocols relating to the activities carried out.</p> <p>The measurement of future liabilities in connection with reclamation and restoration obligations in relation to sites and/or land on which the company carries out its business is a complex process based on technical and financial assumptions made by the company's management and supported by independent experts where necessary.</p> <p>The restoration cost estimate is discounted using a risk-free rate in accordance with IAS 37. The estimate is made using a principle of prudence based on the known market, legislative and technological conditions at the time of measurement.</p> <p>The estimates are reviewed at each balance sheet date to verify that the amounts recorded are the best reflection of the costs the Group will face. If any significant variations are found, the amounts are adjusted. The key factors for revising cost estimates are the revision of the timeframes for implementing the site reclamation and restoration plan, developments in the technologies and environmental regulations and discount rate trends.</p> <p>Measurement of environmental liabilities recorded in the financial statements takes into account the environmental legislation currently in force. However, this measurement could be subject to variations, even to a significant extent, in relation to: (i) the possibility of further contamination arising; (ii) the results of current and future refurbishment and the other possible effects arising from the application of the laws in force; (iii) the possible effects of new laws and regulations for environmental protection; (iv) the effects of any technological innovations for environmental cleansing; and (v) the possibility of disputes concerning the environmental liability for specific sites and the difficulty of determining the potential consequences of this, including in relation to the liability of other parties and any indemnity.</p>

Provisions for employee benefits

Defined-benefit plans are valued on the basis of uncertain events and actuarial assumptions which include, inter alia, the discount rates, the expected returns on the assets servicing the plans (where they exist), the level of future remuneration, mortality rates, the retirement age and future trends in the healthcare expenses covered.

The main assumptions used to quantify defined-benefit plans are determined as follows: (i) the discount and inflation rates representing the base rates at which the obligation to employees might actually be fulfilled are based on the rates which mature on high-quality bonds and on inflation expectations; (ii) the level of future remuneration is determined on the basis of elements such as inflation expectations, productivity, career advancement and seniority; (iii) the future cost of healthcare services is determined on the basis of elements such as present and past trends in healthcare costs, including assumptions regarding the inflationary growth of costs, and changes in the health of the participating employees; and (iv) the demographic assumptions reflect the best estimates of trends in variables such as mortality, turnover, invalidity and others in relation to the population of the participating employees.

Differences in the value of net liabilities relating to employee benefit plans, arising due to changes in the actuarial assumptions used and the difference between the actuarial assumptions previously adopted and actual events, occur routinely and are called actuarial gains and losses. Actuarial gains and losses relating to defined-benefit plans are recognised in the statement of comprehensive income. Actuarial assumptions are also used to determine other long-term employee benefit obligations; to this end, the effects arising from changes to the actuarial assumptions or the characteristics of the benefit are fully recognised in the income statement.

Provisions for risks and charges

In addition to the amounts allocated to the provisions for environmental liabilities, Italgas recorded provisions mainly relating to the following in the financial statements: (i) legal and tax disputes; (ii) staff leaving incentives; (iii) expenses related to meeting the Energy Efficiency Certificates targets (EEC) set by the Authority; (iv) provision for contractual risks.

Provisions are made to cover the risk of future outlay for the cases set out above. The value of the provisions recorded in the financial statements for such risks reflects the best estimate made by the company's management with the support of independent professionals at the preparation date of this document. This estimate involves making assumptions based on factors that may vary over time, which could, therefore, produce a significantly different outcome with respect to the current estimates made by the company's management for the preparation of the Group's financial statements.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, equal to € 249,963 thousand (€ 451,946 thousand as at 31 December 2022), refer to current account deposits held at banks.

Cash and cash equivalents are not subject to any usage restrictions.

A comprehensive analysis of the financial situation and major cash commitments during the year can be found in the Statement of Cash Flows.

7. CURRENT FINANCIAL ASSETS

Current financial assets amounting to € 4,248 thousand (€ 5,770 thousand as at 31 December 2022), relate mainly to financial receivables from credit institutions that can be liquidated in the short term, mainly to guarantee M&A transactions with Conscoop.

8. TRADE AND OTHER RECEIVABLES

Trade and other receivables, which amount to € 853,488 thousand (€ 1,142,950 thousand as at 31 December 2022) comprise the following:

(€ thousands)	31.12.2022	31.12.2023
Trade receivables	315,708	694,330
Receivables from investment/divestment activities	5,278	5,278
Other receivables	821,964	153,880
	1,142,950	853,488

Trade receivables (€ 694,330 thousand as at 31 December 2023 and € 315,708 thousand as at 31 December 2022), increased by € 378,622 thousand, mainly due to the increase in receivables from sales companies (€ 252,353 thousand) and higher receivables related to the „Super/ECobonus“ (€ 87,830 thousand) falling under the legislation of Superbonus incentives as provided for in the Relaunch Decree (Decree-Law 34/2020). The trade credits deriving from the Superbonus activity as of 31 December 2023, awaiting recognition by the Revenue Agency as tax credits, amount to € 259,625 thousand. Management assessed the recoverability of the aforementioned credits from Superbonus on the basis of the overall expected tax contribution of the Group in the following 4 years, as required by law.

These are reported net of the provision for impairment losses (€ 16,507 thousand at 31 December 2023 and € 16,742 thousand at 31 December 2022). Changes in the provision for impairment losses on receivables during the year are shown below:

(€ thousands)	Provision for impairment at 31.12.2021	Change in scope of consolidation	Provisions	Uses	Other changes	Provision for impairment at 31.12.2022
Trade receivables	15,643	183	8	(350)	(108)	15,376
Other receivables	-	405	-	-	961	1,366
	15,643	588	8	(350)	853	16,742

(€ thousands)	Provision for impairment at 31.12.2022	Change in scope of consolidation	Provisions	Uses	Other changes	Provision for impairment at 31.12.2023
Trade receivables	15,376	-	124	(353)	-	15,147
Other receivables	1,366	-	-	(6)	-	1,360
	16,742	-	124	(359)	-	16,507

The provision for impairment of receivables reflects estimated losses in connection with the Group's credit portfolio. Provisions are made for expected losses on receivables, estimated both on the basis of past experience with receivables with similar credit risk and on the basis of future expected loss on open positions as at the balance sheet date, as well as careful monitoring of the quality of credit portfolios.

Receivables for investment/divestment activities (€ 5,278 thousand as at 31 December 2023 equal in amount to 31 December 2022) involve receivables for sales of property, plant and equipment and intangible assets.

Other receivables (€ 153,880 thousand as at 31 December 2023 and € 821,964 thousand as at 31 December 2022) break down as follows:

(€ thousands)	31.12.2022	31.12.2023
IRES receivables for the national tax consolidation scheme	16,516	5,154
Receivables due from CSEA	744,101	94,837
Receivables from the Public administration	6,654	6,824
Advances to suppliers	45,976	35,684
Receivables from personnel	2,088	2,625
Other receivables	6,629	8,756
	821,964	153,880

IRES receivables for the national tax consolidation scheme (€ 5,154 thousand as at 31 December 2023) mainly concern receivables from the former parent company, Eni, relating to the IRES refund request resulting from the partial IRAP deduction relating to tax years 2004 to 2007 (pursuant to Article 6 of Decree-Law no. 185 of 28 November 2008, converted by Law no. 2 of 28 January 2009) and to tax years 2007 to 2011 (pursuant to Decree-Law no. 201/2011). The change of € -11,362 thousand relates to the collection in the period.

Receivables from the CSEA (€ 94,837 thousand as at 31 December 2023) mainly refer to additional gas distribution tariff components (Safety Incentives, UG2⁴ and the Gas Bonus⁵) for € 30,968 thousand and for safety incentives for € 63,869 thousand.

This amount at the end of 2022 was affected by the Resolutions issued by ARERA to address the increase in energy prices and the increase in energy bills, which had provided for the writing-off, for all customers in the gas sector, of the components relating to system charges and the introduction of supplementary social bonuses (extension of the pre-existing Gas Bonus). Furthermore, from the second quarter of 2022, Resolutions no. 148/2022/R/gas, no. 296/2022/R/gas and no. 462/2022/R/com provided for an update of the UG2 component with the application of a negative component in instalments up to 5,000 Sm³/year, in order to immediately transfer to customers the containment effects of the measures adopted in relation to the exceptional situation of operating tension on the gas markets. This case, which at 31 December 2022 had led to an increase in receivables from the CSEA, and to the emergence of payables to Sales Companies, recorded under item "18) Trade payables and other payables", was no longer present at 31 December 2023 due to the lapse of regulations.

Receivables from public administrations (€ 6,824 thousand as at 31 December 2023, substantially unchanged from the previous year), relate to receivables from Municipalities, mainly for Cosap.

The market value of trade and other receivables is analysed in the Note "Guarantees, commitments and risks - Other information about financial instruments". All receivables are in Euro.

The fair value measurement of trade and other receivables has no material impact considering the short period of time from when the receivable arises and its due date and contractual conditions.

⁴ Additional component of the distribution tariff for the purpose of containing the cost of the gas service for low consumption end users.

⁵ Component relating to requests for subsidies for natural gas provision by economically disadvantaged customers.

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The length of time the trade receivables and other receivables have been outstanding is shown below:

(€ thousands)	31.12.2022			31.12.2023		
	Trade receivables	Other receivables	Total	Trade receivables	Other receivables	Total
Receivables not overdue	227,483	821,964	1,049,447	664,320	159,158	823,478
Receivables overdue:	88,225		88,225	30,010		30,010
- from 0 to 3 months	47,713		47,713	8,202		8,202
- from 3 to 6 months	12,314		12,314	3,185		3,185
- from 6 to 12 months	18,768		18,768	5,252		5,252
- over 12 months	9,430		9,430	13,371		13,371
	315,708	821,964	1,137,672	694,330	159,158	853,488

Receivables overdue, in the amount of € 30,010 thousand, mainly regard receivables from the supply of gas and water (€ 14,217 thousand) and customers for ESCo services (€ 5,769 thousand).

As at 31 December 2023 there were no significant credit risks. Note that on average 97.44% of trade receivables relating to gas distribution are settled by the due date and over 99.6% within the following 4 days, confirming the strong reliability of the customers.

Receivables from related parties are described in the note "Related party transactions".

Specific information on credit risk is provided in the note "Guarantees, commitments and risks - Financial risk management - Credit risk".

9. INVENTORIES

Inventories, which amount to € 79,052 thousand, are analysed in the table below:

(€ thousands)	31.12.2022			31.12.2023		
	Gross value	Provision for impairment losses	Net value	Gross value	Provision for impairment losses	Net value
Raw materials, consumables and supplies	124,733	(4,247)	120,486	89,317	(10,265)	79,052
	124,733	(4,247)	120,486	89,317	(10,265)	79,052

Inventories of raw materials, consumables and supplies (€ 79,052 thousand at 31 December 2023) mainly consisted of gas meters.

The provision for impairment losses on inventories of raw materials, consumables and supplies amounts to € 10,265 thousand (€ 4,247 thousand as at 31 December 2022).

Inventories are not collateralised. Inventories do not secure liabilities, nor are they recognised at net realisation value.

10. CURRENT AND NON-CURRENT INCOME TAX ASSETS/LIABILITIES

Current and non-current income tax assets/liabilities break down as follows:

(€ thousands)	31.12.2022			31.12.2023		
	Current	Non-current	Total	Current	Non-current	Total
Income tax assets	8,703	54,862	63,565	17,475	12,876	30,351
- IRES	4,328	54,862	59,190	4,257	12,876	17,133
- IRAP	720		720	9,893		9,893
- Overseas taxes	3,655		3,655	3,325		3,325
Income tax liabilities	16,105	-	16,105	20,448	-	20,448
- IRES	6,856		6,856	8,144		8,144
- IRAP	3,776		3,776	11,213		11,213
- Overseas taxes	5,473		5,473	1,091		1,091

Taxes pertaining to the year under review are shown in the note "Income taxes".

11. OTHER CURRENT AND NON-CURRENT NON-FINANCIAL ASSETS

Other current non-financial assets, amounting to € 152,864 thousand, and **other non-current non-financial assets**, amounting to € 417,069 thousand, break down as follows:

(€ thousands)	31.12.2022			31.12.2023		
	Current	Non-current	Total	Current	Non-current	Total
Other regulated activities	38,424	73,919	112,343	43,988	123,000	166,988
Other assets	42,351	79,656	122,007	108,876	294,069	402,945
- Other current taxes	36,645		36,645	20,013		20,013
- Prepayments	5,706	76,376	82,082	8,001	105,528	113,529
- Security deposits	-	3,221	3,221	-	3,949	3,949
- Other	-	59	59	80,862	184,592	265,454
	80,775	153,575	234,350	152,864	417,069	569,933

Other regulated activities (€ 166,988 thousand as at 31 December 2023) essentially relate to (i) the tariff recognition, by the Authority, as a result of the plan to replace traditional meters with electronic ones pursuant to Article 57 of ARERA Resolution no. 367/14, as subsequently amended and supplemented, as a result of the change in methodology over previous years and the recovery of non-depreciation (so-called IRMA) pursuant to DCO 545/2020/R/gas, Resolution no. 570/2019/R/gas and Determination no. 3/2021; (ii) to the tariff recognition pursuant to Resolution no. 737/2022/R/gas and Determination no. 1/2023 of 11 October 2023 – DINE of the residual non-depreciated costs of the smart meters installed in the first roll-out phase of the installation plans provided for by the Gas Smart Meters Directives, which had to be disposed of earlier than the end of their useful life. This recognition concerned the smart meters discontinued early, of a caliber no higher than G6 produced up to 2016 and entered into operation by 2018, for an amount equal to € 52,292 thousand to be collected over the residual useful tariff life of the individual disused assets.

The **other current tax assets**, amounting to € 20,013 thousand (€ 36,645 thousand as at 31 December 2022) refer to VAT receivables for € 12,066 thousand (€ 23,061 thousand as at 31 December 2022) and to other taxes for € 7,947 thousand (€ 13,584 thousand as at 31 December 2022).

It should be noted that the Group has finalised factoring agreements with financial counterparties on the basis of which the Group's receivables can be factored without recourse. In particular, with reference to 31 December 2023, we finalised the assignment of VAT receivables in the amount of € 24.7 million.

Prepayments, amounting to € 113,529 thousand, mainly refer to the Enaon Group (€ 113,346 thousand), which records in this item the positive difference between the revenues recognized and

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the revenues actually accrued in the years between 2017 and 2023 recoverable through the tariffs of the current regulatory period for the part accrued up to 2021 and in subsequent regulatory periods for the part accrued in 2022 and 2023.

The item **Other**, amounting to € 265,454 thousand, relates mainly to Eco/Superbonus tax-receivables of € 264,123 thousand. Management assessed the recoverability of the aforementioned credits from Superbonus on the basis of the overall expected tax contribution of the Group in the following 4 years, as required by law.

12. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, which amounts to € 386,040 thousand as at 31 December 2023 (€ 379,026 thousand at 31 December 2022), breaks down as follows:

(€ thousands)							31.12.2022
	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and payments on account	Total
Cost at 31.12.2021	12,738	487,219	36,302	155,682	47,121	7,478	746,540
Right of Use as at 1.1.2022		45,403		45,284	35,442		126,129
Investments		2,248	812	3,581	121	3,888	10,650
Right of Use investments	379	11,145		5,633	9,206		26,363
Divestments	(59)	(1,772)	(889)	(1,151)	(2)	(12)	(3,885)
Disposals of Right of Use	(350)	(6,644)		(458)			(7,452)
Reclassifications	(149)	696	52	1,661		(2,260)	
Reclassifications of rights of use	2,339						2,339
Change in scope of consolidation	1,949	8,544	2,311	581	15,400	499	29,284
Change in scope of consolidation right of use		8,998		2,277	1,889		13,164
Other changes	(1)	3,793	(159)	144	(223)	(610)	2,944
Other change in rights of use		(1,432)		(37)	2		(1,467)
Cost at 31.12.2022	16,846	512,795	38,429	167,913	73,514	8,983	818,480
Accumulated depreciation at 31.12.2021		(219,696)	(16,564)	(114,077)	(23,984)		(374,321)
Amortisation of Right of Use as of 1.1.2021		(16,070)		(24,994)	(12,834)		(53,898)
Depreciation		(8,543)	(2,076)	(6,350)	(366)		(17,335)
Amortisation of Right of Use	(99)	(6,789)		(9,763)	(7,974)		(24,625)
Divestments		1,192	4	945	-		2,141
Disposals of Right of Use	7	3,121		316	-		3,444
Change in scope of consolidation		(5,975)	(1,422)	(437)	(13,224)		(21,058)
Change in scope of consolidation right of use		(4,917)		(1,229)	(1,435)		(7,581)
Other change in rights of use		(3)		5	1		3
Other changes		(2)	(34)	(443)	468		(11)
Accumulated depreciation at 31.12.2022	(92)	(241,612)	(20,092)	(131,033)	(46,514)		(439,343)
Provision for impairment losses at 31.12.2021						(111)	(111)
Provision for impairment losses at 31.12.2022						(111)	(111)
Net balance at 31.12.2021	12,738	267,523	19,738	41,605	23,137	7,367	372,108
Net balance at 31.12.2022	16,754	271,183	18,337	36,880	27,000	8,872	379,026
- of which Right of Use	2,276	32,812		17,034	24,297		76,419

(€ thousands)

31.12.2023

	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and payments on account	Total
Cost at 31.12.2022	16,846	512,795	38,429	167,913	73,514	8,983	818,480
Right of Use as at 1.1.2022	2,368	57,470	-	52,699	46,539	-	159,076
Investments	3	5,718	1,395	2,538	870	14,010	24,534
Right of Use investments	1,627	13,787	-	8,593	13,202	-	37,209
Divestments	(42)	(667)	(120)	(624)	(27)	(112)	(1,592)
Disposals of Right of Use	-	(2,944)	-	(2,348)	-	-	(5,292)
Reclassifications	2	2,882	327	865	-	(3,740)	336
Reclassifications of rights of use	371	(20)	-	-	-	-	351
Other changes	-	-	922	-	-	(6,816)	(5,894)
Other change in rights of use	32	-	-	-	(93)	-	(61)
Cost at 31.12.2023	18,839	531,551	40,953	176,937	87,466	12,325	868,071
Accumulated depreciation at 31.12.2022	(92)	(241,612)	(20,092)	(131,033)	(46,514)	-	(439,343)
Amortisation of Right of Use as at of 1.1.2022	(92)	(24,658)	-	(35,665)	(22,242)	-	(82,657)
Depreciation	-	(9,238)	(2,449)	(5,196)	(836)	-	(17,719)
Amortisation of Right of Use	(178)	(8,690)	-	(10,950)	(9,873)	-	(29,691)
Divestments	-	248	-	591	17	-	856
Disposals of Right of Use	-	1,611	-	1,963	-	-	3,574
Other change in rights of use	(4)	25	-	129	244	-	394
Accumulated depreciation at 31.12.2023	(274)	(257,656)	(22,541)	(144,496)	(56,962)	-	(481,929)
Provision for impairment losses at 31.12.2022	-	-	-	-	-	(111)	(111)
Divestments	-	-	-	-	-	11	11
Other changes	-	-	(2)	-	-	-	(2)
Provision for impairment losses at 31.12.2023	-	-	(2)	-	-	(100)	(102)
Net balance at 31.12.2022	16,754	271,183	18,337	36,880	27,000	8,872	379,026
Net balance at 31.12.2023	18,565	273,895	18,410	32,441	30,504	12,225	386,040
- of which Right of Use	4,124	36,581	-	14,421	27,777	-	82,903

Investments (€ 61,743 thousand) mainly refer to industrial and commercial equipment (€ 2,538 thousand), office buildings (€ 5,718 thousand), work in progress and payments on account (€ 14,010 thousand) and leased goods (€ 37,209 thousand).

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The Rights of use are detailed in the following table:

(€ thousands)	31.12.2022	depreciation	change consolidation area	increases	decreases	reclassifications	other changes	31.12.2023
Land	2,276	(178)	-	1,627	-	371	28	4,124
Buildings	32,812	(8,690)	-	13,787	(1,333)	(20)	25	36,581
- operating properties	32,812	(8,690)	-	13,787	(1,333)	(20)	25	36,581
Industrial and commercial equipment	17,034	(10,950)	-	8,593	(385)	-	129	14,421
- ICT	7,335	(2,703)	-	784	-	-	-	5,416
- motor vehicles	9,699	(8,247)	-	7,809	(385)	-	129	9,005
Other assets	24,297	(9,873)	-	13,202	-	-	151	27,777
	76,419	(29,691)	-	37,209	(1,718)	351	333	82,903
Interest expense (included in financial expense)	321							1,132

Land and buildings, of € 292,460 thousand, mainly include buildings for office use, workshops, warehouses and depots used in the corporate business, of which rights of use of € 40,705 thousand.

Plant and machinery (€ 18,410 thousand) mainly relates to photovoltaic plants (€ 13,852 thousand) and electric car charging points (€ 2,400 thousand).

Industrial and commercial equipment (€ 32,441 thousand) include rights of use for € 14,421 thousand relating to IT infrastructures and leased vehicles.

12.1 Property, plant and equipment by business sector

Property, plant and equipment by business sector are broken down as follows:

(€ thousands)	31.12.2022	31.12.2023
Historical cost	818,481	868,070
Gas distribution	765,014	807,657
Energy efficiency	33,358	36,006
Corporate and other sectors	20,109	24,407
Depreciation and amortisation and provision for impairment losses	(439,455)	(482,030)
Gas distribution	(412,830)	(451,811)
Energy efficiency	(17,196)	(18,780)
Corporate and other sectors	(9,429)	(11,439)
NET BOOK VALUE	379,026	386,040
Gas distribution	352,184	355,846
Energy efficiency	16,162	17,226
Corporate and other sectors	10,680	12,968

13. INTANGIBLE ASSETS

Intangible assets, which amount to € 8,772,609 thousand as at 31 December 2023 (€ 8,509,368 as at 31 December 2022) break down as follows.

(€ thousands)							31.12.2022	
	Service concession arrangements	Industrial patent rights and intellectual property rights	Work in progress and payments on account IFRIC 12	Work in progress and payments on account	Finite useful life Other Intangible Assets	Indefinite useful life Goodwill	Total	
Cost at 31.12.2021	11,944,576	511,650	318,273	11,994	169,668	74,506	13,030,667	
Investments	630,829	33,518	99,199	13,257	505	-	777,308	
Government grants	(48)	-	(10,787)	-	-	-	(10,835)	
Change in the scope of consolidation	1,437,696	(2,416)	48,934	(307)	20,206	115,789	1,619,902	
Divestments	(594,948)	(22)	(4,141)	(64)	(309)	-	(599,484)	
Reclassifications	184,046	9,945	(184,046)	(9,945)	-	-	-	
Other changes	(2,408)	12,097	5,261	(214)	(11,789)	168	3,115	
Cost at 31.12.2022	13,599,743	564,772	272,693	14,721	178,281	190,463	14,820,673	
Accumulated amortisation at 31.12.2021	(4,989,015)	(419,329)	-	-	(141,864)	-	(5,550,208)	
Amortisation	(396,361)	(38,092)	-	-	(1,878)	-	(436,331)	
Change in the scope of consolidation	(562,062)	450	-	-	(17,135)	-	(578,747)	
Divestments	276,639	7	-	-	309	-	276,955	
Other changes	8,753	(10,943)	-	-	9,411	-	7,221	
Accumulated amortisation at 31.12.2022	(5,662,046)	(467,907)	-	-	(151,157)	-	(6,281,110)	
Provision for impairment losses at 31.12.2021	(10,154)	(10)	-	(52)	(438)	-	(10,654)	
(Write-down)/Value restorations	-	-	(895)	-	-	-	(895)	
Divestments	8,684	-	147	-	-	-	8,831	
Change in the scope of consolidation	(15,918)	-	-	-	-	-	(15,918)	
Other changes	(10,659)	-	(98)	52	(854)	-	(11,559)	
Provision for impairment losses at 31.12.2022	(28,047)	(10)	(846)	-	(1,292)	-	(30,195)	
Net balance at 31.12.2021	6,945,407	92,311	318,273	11,942	27,366	74,506	7,469,805	
Net balance at 31.12.2022	7,909,650	96,855	271,847	14,721	25,832	190,463	8,509,368	

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(€ thousands)							31.12.2023
	Service concession arrangements	Industrial patent rights and intellectual property rights	Work in progress and payments on account IFRIC 12	Work in progress and payments on account	Finite useful life Other Intangible Assets	Indefinite useful life Goodwill	Total
Cost at 31.12.2022	13,599,743	564,772	272,693	14,721	178,281	190,463	14,820,673
Investments	620,811	29,677	167,458	21,147	5,786	-	844,879
Government grants	-	-	(22,806)	-	-	-	(22,806)
Divestments	(151,028)	-	(89)	(110)	(356)	-	(151,583)
Reclassifications	187,089	9,791	(185,489)	(9,921)	(1,470)	-	
Other changes	5,984	-	(6,602)	-	370	-	(338)
Cost at 31.12.2023	14,262,509	604,240	225,165	25,837	182,611	190,463	15,490,825
Accumulated amortisation at 31.12.2022	(5,662,046)	(467,907)	-	-	(151,157)	-	(6,281,110)
Amortisation	(430,921)	(39,724)	-	-	(4,475)	-	(475,120)
Divestments	90,189	-	-	-	92	-	90,281
Reclassifications	-	(60)	-	-	60	-	-
Other changes	-	-	-	-	(28)	-	(28)
Accumulated amortisation at 31.12.2023	(6,002,778)	(507,691)	-	-	(155,508)	-	(6,665,977)
Provision for impairment losses at 31.12.2022	(28,047)	(10)	(846)	-	(1,292)	-	(30,195)
(Write-down)/Value restorations	(23,016)	-	-	-	-	-	(23,016)
Divestments	895	-	77	-	-	-	972
Reclassifications	1,917	-	(1,917)	-	-	-	-
Provision for impairment losses at 31.12.2023	(48,251)	(10)	(2,686)	-	(1,292)	-	(52,239)
Net balance at 31.12.2022	7,909,650	96,855	271,847	14,721	25,832	190,463	8,509,368
Net balance at 31.12.2023	8,211,480	96,539	222,479	25,837	25,811	190,463	8,772,609

Service concession agreements including the related work in progress, amounting to € 8,433,959 thousand (€ 8,181,497 thousand as at 31 December 2022), refer to agreements between the public and private sectors on the development, financing, management and maintenance of infrastructure under concession by a contracting party. The provisions relating to the service concession agreements are applicable to Italgas due to its role as a public service natural gas distributor in Italy and Greece, as well as its role in integrated water service management, i.e. they are applicable to the agreements under which the operator is committed to providing the public with natural gas distribution and integrated water service at the tariff established by the Authority, holding the right to use the infrastructure, which is controlled by the grantor, for the purposes of providing the public service.

The item Service concession arrangements also includes for € 128,180 thousand the net book value of the intangible asset "licences" measured during the purchase price allocation of the Enaon Group (formerly DEPA Infrastructure) relating to the licences for gas distribution in Greece expiring in 2043.

IFRIC 12 Work in progress of € 222,479 thousand (€ 271,847 thousand at 31 December 2022) mainly refers to new networks under construction and digitisation of natural gas distribution networks in Italy and Greece.

Industrial patent rights and intellectual property rights of € 96,539 thousand (€ 96,855 thousand as at 31 December 2022) mainly concern information systems and applications in support of operating activities.

Other intangible assets of € 25,811 thousand (€ 25,832 thousand as at 31 December 2022) predominately concern the customer lists relating to the acquisition of ESCo (€ 25,698 thousand).

Intangible assets with an undefined useful life of € 190,463 thousand (€ 190,463 thousand at 31 December 2022) mainly refer to goodwill arising in previous years in relation to the process of allocation of prices paid for the acquired companies.

Investments for the year mainly relate to concession agreements for the maintenance and development of the smart metering network and the digitisation of networks. In particular:

- gas distribution investments (€ 538.9 million, +3.6% compared to 2022), which recorded the installation of an additional 965 km of pipeline (2022: 532 km) and were driven by the inclusion of the Greek companies in the consolidation scope;
- investments in digitisation (€ 283.4 million, +20.2% compared to 2022) mainly related to the installation of digital devices.

Amortisation refers to economic and technical amortisation determined on the basis of the finite useful life of the intangible assets or their remaining possible use by the Company.

The provision for impairment, amounting to € 52,239 thousand (€ +22,044 thousand), mainly relates to service concession agreements for measuring instruments written off during the year.

Advanced research and development expenses of the period are not of a considerable amount and include the costs incurred for the development of the internally developed Nimbus meter.

Contractual commitments to purchase intangible assets, and to provide services related to the development thereof, are reported in the Note - "Guarantees, commitments and risks".

Impairment test

The impairment test is conducted for all CGUs with impairment indicators and/or goodwill allocated to them. In 2023, the test was carried out for all the CGUs, regardless of the presence of impairment indicators and/or goodwill.

The impairment test therefore concerned the following CGUs (Cash Generating Units):

- Distribution and metering of natural and other gases;
- Distribution and metering of natural gas abroad;
- Integrated water service;
- Other activities (ESCo).

Compared to the previous year, the CGU 'Sale of natural gas and other gases' was eliminated following the removal of the company Gaxa from the scope of consolidation.

As required by the reference accounting standards (IAS 36), the book value of the net invested capital referring to each CGU including, where present, goodwill was subjected to impairment testing by comparison with the corresponding recoverable value.

The goodwill recognised following the business combination is attributable to the CGUs that benefit from the synergies arising from the acquisition, and allocated as follows:

- Distribution and metering of natural and other gases: € 66.2 million.
- Distribution and metering of natural gas abroad: € 115.8 million.
- Other activities (ESCo): € 8.3 million.

With reference to the Distribution and metering of natural and other gases CGU and the Integrated water service CGU, the recoverable value including goodwill was defined in accordance with the estimated value of Net Invested Capital attributed to such assets for tariff purposes (RAB - Regulatory Asset Base) by the Authority.

The "Distribution and metering of natural and other gases" CGU includes, as described previously, the "Municipalities in progress", mainly concentrated in Sardinia. For these municipalities, the remuneration mechanism provides for a limit to tariff recognitions for investments in distribution networks for locations with first supply starting from 2017 or later. The remuneration cap amounts to

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€ 5,250 (expressed at 2017 prices) per delivery point, as set by resolution no. 704/2016/R/gas. The RAB considered is based, consistently with the assumptions of the 2023-2029 Strategic Plan, on the achievement of break-even delivery points.

The use of the RAB for estimating recoverable amount is a generally accepted method in regulated utility sectors. No impairment was found as a result of the test carried out; furthermore, it was also verified that reasonable changes to the input of the evaluation would not cause impairment losses.

With reference to the "Distribution and metering of natural gas abroad" CGU, the recoverable value including goodwill was defined through a comparison between the value-in-use estimated on the basis of the Discounted Cash Flow (DCF) Method (based on the flows arising from the 2023-2029 Strategic Plan approved by management), and a terminal value equal to the RAB at the end of the plan period increased by 15% (provided for in the regulations). The comparison considered the expiry of the licence in 2043 and the option to renew for a further 30 years. Cash flows were discounted at a WACC of 5%.

The main assumptions underlying the expected cash flows concerned the amount and timing of investments for the expansion, the digitalisation of the distribution network and replacement of meters and the number of redelivery points, as well as the assumptions regarding the volumes of gas transported over the plan period, which are relevant for the dynamics of working capital over the plan period.

No impairment was found as a result of the test carried out. A sensitivity analysis was also carried out on the WACC used to determine the recoverable value (-0.5% / +0.5%). The headroom of around € 65 million referring to the case with RAB terminal value +15% is zeroed in case of an average increase of 1 percentage point in the WACC.

With reference to the "Other Activities (ESCos)" CGU, the recoverable value was determined, as value in use, on the basis of the cash flows deriving from the 2023-2029 strategic plan approved by management with the Discounted Cash Flow (DCF) Method.

The terminal value was estimated for the energy efficiency interventions business as a multiple (5x) of the EBITDA in 2029, which is lower than the perpetuity value with a growth rate of zero. For the portion of the photovoltaic business, the flows of the plan period have been extended over the residual life of the plants.

13.1 Intangible assets by business segment

Intangible assets by business segment are analysed as follows:

(€ thousands)	31.12.2022	31.12.2023
Historical cost	14,820,672	15,490,824
Gas distribution	14,759,078	15,424,869
Energy efficiency	35,056	36,079
Corporate and other sectors	26,538	29,876
Depreciation and amortisation and provision for impairment losses	(6,311,304)	(6,718,215)
Gas distribution	(6,288,181)	(6,692,389)
Energy efficiency	(9,902)	(11,402)
Corporate and other sectors	(13,221)	(14,424)
NET BOOK VALUE	8,509,368	8,772,609
Gas distribution	8,470,897	8,732,480
Energy efficiency	25,154	24,677
Corporate and other sectors	13,317	15,452

14. EQUITY INVESTMENTS MEASURED USING THE EQUITY METHOD

Equity investments valued using the equity method, which amount to € 131,771 thousand (€ 47,243 thousand at 31 December 2022) break down as follows:

(€ thousands)	31.12.2022	Increases for investment	Income (expense) from shareholders' equity	Decrease for dividends	31.12.2023
Umbria Distribuzione Gas S.p.A.	1,397	-	70	-	1,467
Metano Sant'Angelo Lodigiano S.p.A.	1,033	-	94	(50)	1,077
Gesam Reti S.p.A.	21,130	-	867	(580)	21,417
Enerpaper S.r.l.	488	-	-	-	488
Gaxa S.p.A.	93	-	(93)	-	-
Energie Rete Gas S.r.l.	23,102	-	(1,206)	-	21,896
Siciliacque S.p.A.	-	52,299	529	-	52,828
Acqualatina S.p.A.	-	31,488	1,110	-	32,598
	47,243	83,787	1,371	(630)	131,771

On 16 October 2023, the operation aimed at the purchase from Siram S.p.A. (Italian company of the Veolia Environnement Group) was completed. The purchase included the entire share package of Acqua S.r.l. – holding company – which indirectly holds the operating companies Siciliacque and Acqualatina.

As a result of the transaction, the Group acquired shareholdings in associated companies:

- Acqualatina S.p.A. for a 49% share of the share capital, for a value of 31.5 million;
- Siciliacque S.p.A. for a share of 75% of the share capital, for a value of 52.3 million.

There are no real guarantees on the shareholdings.

Note "25) Guarantees, commitments and risks" comments on the commitments relating to the investments in Energie Rete Gas S.r.l., Acqualatina S.p.A. and Siciliacque S.p.A..

As of 31 December 2023, the Group carried out impairment tests on all investments even in the absence of impairment indicators.

With reference to the investments in Gesam Reti S.p.A., Umbria Distribuzione Gas S.p.A. and Metano Sant'Angelo Lodigiano S.p.A., the recoverable value was estimated as the value of the Net Invested Capital recognized for tariff purposes (RAB - Regulatory Asset Base) recognized by the Authority of the net financial position. The use of RAB to estimate the recoverable amount is a generally accepted method within the regulated utility sectors. The outcome of the test conducted revealed no losses in value.

The recoverable value of Energie Rete Gas was determined, as value in use, on the basis of the cash flows deriving from the 2024-2040 Plan approved by the company's management, with the Discounted Cash Flow (DCF) Method. Furthermore, the terminal value was estimated to be equal to the value of the RAB at the end of the plan period, increased by 10%. The cash flows were discounted at a rate representative of the weighted average cost of invested capital (WACC) equal to 4.97%. The value in use determined according to the methods described above was higher than the value of the investment, therefore, no losses in value emerged.

The recoverable value of the investments in Siciliacque S.p.A. and Acqualatina S.p.A. acquired during the year was determined as the fair value represented by the value of the recent transaction carried out by the Group. For the purposes of this assessment, the Management took into account the financial difficulties of Siciliacque S.p.A. as of 31 December 2023. Those difficulties qualify as uncertainties with a degree of significance that gives rise to significant doubts about the investee's ability to continue its operational existence.

Consolidated companies, joint ventures, associates and other significant equity investments are indicated separately in the Appendix "Subsidiaries, associates and equity investments of Italgas S.p.A. at 31 December 2022", which is an integral part of these notes.

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Other information on equity investments

In accordance with the provisions of IFRS 12 - "Disclosure of interests in other entities", the economic and financial data for joint ventures and associates are provided below.

Equity investments in joint ventures

The IFRS-compliant economic and financial data on equity investments in joint ventures operating in the distribution of natural gas⁶ are reported below according to their relevance.

(€ thousands)	31.12.2023	
	Gas distribution companies under joint control	Gas transmission companies under joint control
Current assets	8,845	14,577
- of which Cash and Cash equivalents	4,463	164
Non-current assets	24,018	113,607
Total assets	32,863	128,184
Current liabilities	(17,010)	(8,084)
- of which Short-term financial liabilities	(2,235)	(943)
Non-current liabilities	(10,439)	(85,410)
- of which Long-term financial liabilities	(1,980)	(85,410)
Total liabilities	(27,449)	(93,494)
Shareholders' equity	5,414	34,690
Group interest	2,544	16,998
Other adjustments	-	4,898
Book value	2,544	21,896
Revenues	7,732	10,293
Operating costs	(6,520)	(3,758)
Amortisation, depreciation and impairment	(974)	(4,417)
EBIT	238	2,118
Financial Income (Expense)	(147)	(4,191)
Income taxes	(78)	363
Net profit	13	(1,710)
Total comprehensive income	13	(1,710)

Umbria Distribuzione Gas S.p.A.

Umbria Distribuzione Gas S.p.A. operates in the natural gas distribution segment in Umbria.

The share capital of Umbria Distribuzione Gas S.p.A. is held by Italgas S.p.A. (45%), by A.S.M. Terni S.p.A. (40%) and by Acea S.p.A. (15%).

Umbria Distribuzione Gas manages the natural gas distribution service in the Terni municipality, making use of an integrated system of infrastructures, mainly owned by Terni Reti S.r.l., a wholly-owned subsidiary of the Terni municipality, comprising stations for withdrawing gas from the transportation network, pressure reduction plants, the local transportation and distribution network, user derivation plants and redelivery points comprising technical equipment featuring meters at the end users.

The corporate governance rules establish that the decisions on the significant activities have to be taken with the unanimous consent of the private partners (Italgas S.p.A. and Acea S.p.A.) and the Public Partner (Municipalities).

⁶ Unless otherwise indicated, the balance sheet values of the jointly controlled companies, reported at 100%, have been integrated in order to reflect the adjustments made by the parent company in application of the equity measurement criterion. The aforementioned values refer to the preliminary and/or approved reporting packages.

Metano Sant'Angelo Lodigiano S.p.A.

Metano Sant'Angelo Lodigiano S.p.A. operates in the natural gas distribution sector in the municipalities of Sant'Angelo Lodigiano (LO), Villanova del Sillaro, Bargano (LO), Castiraga Vidardo (LO), Marudo (LO) and Villanterio (PV).

The share capital of Metano Sant'Angelo Lodigiano S.p.A. is held by Italgas S.p.A. (50%) and by Comune di Sant'Angelo Lodigiano (50%). The corporate governance rules establish that the decisions on the significant activities have to be taken with the unanimous consent of the private partner (Italgas S.p.A.) and the Public Partner (Municipalities).

Energie Rete Gas S.r.l.

Energie Rete Gas S.r.l. is a company active in gas transmission through a network of regional methane pipelines located in Valle D'Aosta, Piedmont, Liguria, Tuscany and Sardinia.

The share capital of the company is held by Energetica S.p.A. (51%) and Medea S.p.A. (49%). The corporate governance rules establish that the decisions on the significant activities have to be taken with the unanimous consent of the partners.

Equity investments in associates

The IFRS-compliant economic and financial data for each significant associate⁷, are reported below:

(€ thousands)	31.12.2023		
	Related gas distribution companies	Integrated water service associated companies	ESCo related companies
Current assets	7,708	361,387	2,176
- of which Cash and Cash equivalents	-	35,886	192
Non-current assets	54,983	301,802	423
Total assets	62,691	663,189	2,599
Current liabilities	(10,481)	(264,683)	(1,178)
- of which Short-term financial liabilities	(4,350)	(4,350)	(143)
Non-current liabilities	(13,681)	(196,876)	(517)
- of which Long-term financial liabilities	(10,334)	(92,687)	(397)
Total liabilities	(24,162)	(461,559)	(1,695)
Shareholders' equity	38,529	201,630	904
Group interest	16,552	119,824	181
Other adjustments	4,865	(34,398)	307
Value of the equity investment	21,417	85,426	488
Revenues	14,428	47,351	6,700
Operating costs	(7,370)	(35,089)	(5,646)
Amortisation, depreciation and impairment	(2,983)	(6,710)	(220)
EBIT	4,075	5,552	834
Financial Income (Expense)	(783)	(1,080)	(28)
Income taxes	(1,197)	(1,618)	(202)
Net profit	2,095	2,854	604
Total comprehensive income	2,095	2,854	604

⁷ It is specified that the balance sheet values of the associated companies, reported at 100%, have been adjusted in order to reflect the adjustments made by the parent company in application of the equity valuation criterion. The aforementioned values refer to the preliminary and/or approved reporting packages.

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Gesam Reti S.p.A.

Gesam Reti S.p.A. operates in the natural gas distribution and network management sector (owned 42.96% by Toscana Energia S.p.A.) in the municipality of Lucca and in another 7 municipalities of the province.

Enerpaper S.r.l.

Enerpaper S.r.l. operates in Turin, is 20.01% owned through Geoside S.p.A., whose activities carried out on its own behalf or on behalf of third parties are mostly focused on energy efficiency, building production in general, development, production, installation and sale of innovative products or services having high technological value.

Siciliacque S.p.A.

Siciliacque S.p.A. operates in Sicily, under concession, the services of water collection, storage, purification and water adduction at a supra-regional level. It is 75% owned by Idrosicilia S.r.l. and for the remaining 25% by the Sicily Region which, despite the reduced share of share capital, exercises control.

Acqualatina S.p.A.

Acqualatina S.p.A. is a company operating in the Integrated Water Service in the Province of Latina and lower Lazio (Optimal Territorial Areas (OTA) n. 4 Lazio Meridionale Latina or ATO4). It is 49% owned by Idrolatina S.r.l..

15. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets, amounting to € 23,778 thousand (€ 22,945 thousand as at 31 December 2022), are broken down as follows:

(€ thousands)	31.12.2022	31.12.2023
Financial receivables instrumental to operations	3,984	2,571
Other equity investments	18,961	21,207
	22,945	23,778

The item Other equity investments of € 21,207 thousand relates to the fair value measurement of the investments in Picarro Inc. and Reti Distribuzione S.p.A. (€ 18,746 thousand) and the advance paid by Nepta for the acquisition of 47.9% of Acqua Campania (€ 2,461 thousand).

16. ASSETS HELD FOR SALE

Assets held for sale, in the amount of € 6,613 thousand (€ 11 thousand as at 31 December 2022) increased by € 6,602 thousand due to the sale of regulated gas assets to the affiliate Energie Rete Gas for the gas transport activity falling within the scope of the investment agreement signed with Energetica S.p.A. to during 2022.

17. SHORT-TERM AND LONG-TERM FINANCIAL LIABILITIES

Short-term financial liabilities, amounting to € 1,033,434 thousand (€ 142,437 thousand as at 31 December 2022) and **long-term financial liabilities**, totalling € 5,886,922 thousand (€ 6,402,913 thousand as at 31 December 2022), break down as follows:

31.12.2022						
(€ thousands)	Short-term liabilities			Long-term liabilities		
	Short-term liabilities	Short-term portion of long-term liabilities	Total short-term liabilities	Long-term portion due within 5 years	Long-term portion due beyond 5 years	Total long-term liabilities
Bank loans	1,060	67,713	68,773	1,040,937	598,203	1,639,140
Bonds		49,993	49,993	933,448	3,745,076	4,678,524
Financial payables for leased assets (IFRS 16)		21,571	21,571	40,415	10,062	50,477
Other shareholders	2,065	35	2,100	22	34,750	34,772
	3,125	139,312	142,437	2,014,822	4,388,091	6,402,913

31.12.2023						
(€ thousands)	Short-term liabilities			Long-term liabilities		
	Short-term liabilities	Short-term portion of long-term liabilities	Total short-term liabilities	Long-term portion due within 5 years	Long-term portion due beyond 5 years	Total long-term liabilities
Bank loans	498,656	75,274	573,930	551,610	517,414	1,069,024
Bonds		426,392	426,392	1,741,112	3,030,803	4,771,915
Financial payables for leased assets (IFRS 16)		33,112	33,112	43,022	2,961	45,983
	498,656	534,778	1,033,434	2,335,744	3,551,178	5,886,922

Loans are initially recognised at cost represented by the fair value of the amount received net of incidental charges for obtaining the loan. After this initial recognition, loans are recognised with the amortised cost criterion calculated using the effective interest rate. All financial liabilities are accounted for using the amortised cost method.

On 29 September 2023, the Board of Directors resolved on the renewal of the EMTN Programme launched in 2016 and already renewed in all prior financial years, confirming the maximum nominal amount of € 6.5 billion, which was subscribed on 24 October 2023.

On 8 June 2023, in implementation of the EMTN (Euro Medium Term Notes), Italgas concluded the launch of a new bond issue in the amount of € 500 million at a fixed rate with an annual coupon of 4.125% and maturing on 8 June 2032.

As required by IAS 7 (§44A), below is the statement showing the prospectus containing a reconciliation of the changes in liabilities deriving from financing, distinguishing between changes deriving from cash flow and other non-monetary changes.

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(€ thousands)	Values at 31.12.2022	Cash flow	Other non-monetary changes			Total change	Values at 31.12.2023
			Conversion differences	Other changes	Business combinations		
Bank loans	1,709,843	(158,642)	-	90,683	-	(64,959)	1,644,884
<i>of which short-term</i>	68,656	8,532	-	496,624	-	505,156	573,812
<i>of which long-term</i>	1,641,187	(167,174)	-	(405,941)	-	(570,115)	1,071,072
Bonds	4,728,517	537,980	-	(68,190)	-	469,790	5,198,307
<i>of which short-term</i>	49,993	-	-	376,399	-	376,399	426,392
<i>of which long-term</i>	4,678,524	537,980	-	(444,589)	-	93,391	4,771,915
Financial payables for leased assets (IFRS 16)	72,048	(31,033)	-	38,080	-	7,047	79,095
<i>of which short-term</i>	21,571	(31,033)	-	42,574	-	11,541	33,112
<i>of which long-term</i>	50,477	-	-	(4,494)	-	(4,494)	45,983
Other shareholders	36,978	-	-	(36,978)	-	(36,978)	-
<i>of which short-term</i>	2,205	-	-	(2,205)	-	(2,205)	-
<i>of which long-term</i>	34,773	-	-	(34,773)	-	(34,773)	-
	6,547,386	351,305	-	23,595	-	374,900	6,922,286

Short-term financial liabilities

Short-term financial liabilities, of € 1,033,434 thousand (€ 142,437 thousand as at 31 December 2022), including the short-term portions of long-term liabilities, mainly refer to the use of uncommitted credit lines. The increase of € 890,997 thousand was mainly due to the bond forming part of the EMTN programme to be repaid in March 2024 and bank loans for € 500,000 thousand to be repaid in October 2024.

There are no short-term financial liabilities denominated in currencies other than the Euro.

Long-term financial liabilities

Long-term financial liabilities amount to € 5,886,922 thousand overall (€ 6,402,913 thousand as at 31 December 2022).

Net of financial debt for leased assets, the increase is mainly attributable to the new bond issue concluded on 1 June 2023 in implementation of the EMTN of Programme worth € 500 million, partially offset by the short-term reclassification of the EMTN bond maturing in March 2024.

The breakdown of the bonds (€ 4,992,478 thousand), with the issuing company, year of issue, currency, average interest rate and due date, is provided in the following table.

(€ thousands)	Issue (year)	Currency	Nominal Value	Adjustment to amortized cost	Financing value as at 31.12.2023	Interest accrual	Balance as at 31.12.2023	Rate (%)	Due date (year)
Issuing company									
Euro Medium Term Notes									
ITALGAS S.p.A.	2017	euro	750,000	(2,763)	747,237	11,553	758,790	1.63%	2027
ITALGAS S.p.A.	2017	euro	381,326	(1,500)	379,826	3,423	383,249	1.13%	2024
ITALGAS S.p.A.	2017	euro	750,000	(2,157)	747,843	11,742	759,585	1.63%	2029
ITALGAS S.p.A.	2019	euro	600,000	(5,154)	594,846	3,600	598,446	0.88%	2030
ITALGAS S.p.A.	2019	euro	500,000	(3,503)	496,497	273	496,770	1.00%	2031
ITALGAS S.p.A.	2020	euro	500,000	(1,562)	498,438	649	499,087	0.25%	2025
ITALGAS S.p.A.	2021	euro	500,000	(4,563)	495,437		495,437	0.00%	2028
ITALGAS S.p.A.	2021	euro	500,000	(5,457)	494,543	2,178	496,721	0.50%	2033
ITALGAS S.p.A.	2023	euro	500,000	(7,216)	492,784	11,609	504,393	4.13%	2032
			4.981.326	(33.875)	4.947.451	45.027	4.992.478		

The **bond loans** taken out by the subsidiary Enaon (formerly DEPA Infrastructure) in the amount of € 205,828 thousand, with details of the issuing company, year of issue, currency, average interest rate and due date, are analysed in the table below.

(migliaia di €)	Issue (year)	Currency	Nominal Value	Adjustment to amortized cost	Financing value as at 31.12.2023	Interest accrual	Balance as at 31.12.2023	Rate (%)	Due date (year)
Issuing company									
ENAON S.A.	2022	euro	166,000	(1,066)	164,934	470	165,404	1.70% + 3M Euribor	2029
ENAON S.A.	2023	euro	13,500	(4,302)	9,198	47	9,245	1.90% + 3M Euribor	2034
ENAON S.A.	2023	euro	32,000	(911)	31,089	90	31,179	1.90% + 3M Euribor	2034
			211,500	(6,279)	205,221	607	205,828		

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The breakdown of bank loans, amounting to € 1,642,954 thousand is provided in the table below.

(€ thousands) Type	Issue (year)	Currency	Nominal Value	Adjustment to amortized cost	Financing value as at 31.12.2023	Interest accrual	Balance as at 31.12.2023	Rate (%)	Due date (year)
ITALGAS S.p.A. - EIB	2017	euro	336,000	(148)	335,852	642	336,494	0.35 + Euribor 6M	15.12.2037
ITALGAS S.p.A. - EIB	2015	euro	99,200	28	99,228	826	100,054	0.14 + Euribor 6M	22.10.2035
ITALGAS S.p.A. - EIB	2016	euro	225,000	(127)	224,873	871	225,744	0.47 + Euribor 6M	30.11.2032
ITALGAS S.p.A. - EIB	2022	euro	150,000	(70)	149,930	222	150,152	3.180%	15.12.2037
ITALGAS S.p.A. - EIB	2023	euro	12,000	62	12,062	172	12,234	2.770%	04.07.2042
TOSCANA ENERGIA S.p.A - EIB	2016	euro	65,455	7	65,462	343	65,805	1.050%	30.06.2031
ITALGAS S.p.A. - TL MEDIOBANCA	2021	euro	200,000		200,000		200,000	0.000%	15.10.2024
ITALGAS S.p.A. - TL INTESA SANPAOLO	2021	euro	300,000	(1,344)	298,656		298,656	0.000%	27.10.2024
ITALGAS S.p.A. - TL INTESA SANPAOLO	2022	euro	250,000	(564)	249,436	2,877	252,313	0.60 + Euribor 3M	20.05.2025
GEOSIDE - FIN LT INTESA SANPAOLO	2021	euro	455		455	443	898	0.83%	23.12.2025
Financial payables due to other banks			604		604		604		
			1,638,714	(2,156)	1,636,558	6,396	1,642,954		

There are no long-term bank loans denominated in currencies other than the Euro.

There were no breaches of loan agreements as at the reporting date.

There were no breaches of loan agreements as at the reporting date. See the "Financial covenant and negative pledge contractual clauses" paragraph.

Breakdown of total financial liabilities by interest rate type

As at December 2023, the breakdown of debt by type of interest rate, inclusive of liabilities for leases pursuant to IFRS 16 was as follows:

(€ million)	31.12.2022		31.12.2023	
	Value	%	Value	%
Fixed rate	5,940.6	90.8%	6,361.7	91.9%
Floating rate	605.0	9.2%	558.6	8.1%
	6,545.6	100.0%	6,920.3	100.0%

Financial covenant and negative pledge contractual clauses

As at 31 December 2023 there are no loan agreements containing financial covenant and/or secured by collateral, with the exception of the EIB loan signed by Toscana Energia which provides for compliance with certain financial covenant⁸. Some of these contracts provide, inter alia, for the following: (i) negative pledge undertakings, pursuant to which Italgas and the subsidiaries are subject to limitations regarding the creation of real rights of guarantee or other restrictions concerning all or part of the respective assets, shares or goods; (ii) pari passu and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out. As at 31 December 2023, these commitments were respected.

⁸ The contracts contain a clause whereby, in the event of a significant loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required. The economic and financial parameters as at 31 December 2023 have been respected.

The option for the lender to request additional guarantees if Italgas' credit rating is below BBB- (Fitch Ratings Limited) or Baa3 (Moody's) is envisaged only for the EIB loans taken out by Italgas. As at 31 December 2023, these criteria were met (see "Rating risk").

Failure to comply with the commitments established for these loans - in some cases only when this non-compliance is not remedied within a set time period - and the occurrence of other events, such as cross-default events, some of which are subject to specific threshold values, may result in Italgas and Toscana Energia failure to comply and could trigger the early repayment of the relative loan.

Breakdown of net financial debt

Below is the net financial position in line with the CONSOB provisions of 28 July 2006 and with the provisions of ESMA guideline no. 39 issued on 04 March 2021, applicable from 05 May 2021 and CONSOB's Warning Notice no. 5/21 issued on 29 April 2021, reconciled with the financial debt prepared according to the Italgas Group representation methods.

(€ thousands)	31.12.2022	31.12.2023
A. Cash	450,894	248,911
B. Cash equivalents	1,052	1,052
C. Other current financial assets	23,225	22,342
D. Liquidity (A+B+C)	475,171	272,305
E. Current financial debt (including debt instruments but excluding the portion of non-current financial debt)	3,415	498,656
F. Current portion of non-current financial debt (*)	139,312	534,778
G. Current financial debt (E+F)	142,727	1,033,434
<i>of which, related parties</i>	<i>118</i>	<i>636</i>
H. Net current financial debt (G-D)	(332,444)	761,129
I. Non-current financial debt (excluding the current portion and debt instruments) (*)	1,688,981	1,101,299
J. Debt instruments	4,678,525	4,771,915
K. Trade and other non-current payables		
L. Non-current financial debt (I+J+K)	6,367,506	5,873,214
<i>of which, related parties</i>	<i>(2,048)</i>	<i>1,566</i>
M. Total financial debt (H+L)	6,035,062	6,634,343

(*) Includes financial debts for leased assets recognised in accordance with IFRS 16 "Leases", of which € 45,943 thousand are long-term (€ 50,477 thousand at 31.12.2022) and € 33,112 thousand are short-term portions of long-term financial debt (€ 21,571 thousand at 31.12.2022).

For a better presentation of the items with reference to the provisions contained in the ESMA Guidelines on reporting obligations pursuant to Regulation (EU) 2017/1129, net financial debt considers the value of the assets from derivative financial instruments to hedge financial debt.

Net financial debt as at 31 December 2023, including the effects of the application of IFRS 16, of € 79,095 million, amounted to € 6,634,343 thousand, up by € 599,281 thousand (€ 6,035,062 thousand as at 31 December 2022). Net of that effect, the net financial debt amounted to € 6,555,248 thousand (€ 5,963,014 thousand as at 31 December 2022, up by € 592,234 thousand).

Financial and bond debt as at 31 December 2023 totalled € 6,764,132 thousand (€ 6,545,350 thousand as at 31 December 2022) and mainly refer to: bonds (€ 5,198,307 thousand), loan agreements with the European Investment Bank (EIB) (€ 890,483 thousand), payables to banks (€ 752,471 thousand) and financial liabilities pursuant to IFRS 16 (€ 79,095 thousand).

Cash, amounting to € 249,963 thousand, is held in current accounts and fixed-term deposits that can be immediately liquidated with leading banks.

Net financial debt does not include payables for dividends resolved and yet to be distributed and payables for investments.

18. TRADE AND OTHER PAYABLES

Trade payables and other payables, which amount to € 829,862 thousand (€ 1,197,117 thousand as at 31 December 2022), comprise the following:

(€ thousands)	31.12.2022	31.12.2023
Trade payables	709,352	278,312
Payments on account and prepayments	4,173	4,402
Other payables	483,592	547,148
	1,197,117	829,862

Trade payables of € 278,312 thousand (€ 709,352 thousand as at 31 December 2022) relate to payables to suppliers. The decrease of € 431,040 thousand is mainly due to the reduction in trade payables to gas companies (€ 446 million) mainly referring to the accessory components of the Bonus gas and UG2 distribution.

As at 31 December 2022, trade payables to gas sales companies referred to the Resolutions issued by ARERA to address the increase in energy prices and the increase in energy bills; for more details see item „8) Trade and other receivables“.

Other payables (€ 547,148 thousand at 31 December 2023 and € 174,847 thousand as at 31 December 2022) break down as follows follows:

(€ thousands)	31.12.2022	31.12.2023
Payables - shareholders for dividends	874	3,090
Payables for investment activities	308,745	375,723
Payables to the public administration	83,591	85,634
Payables to CSEA	34,708	21,037
Payables to personnel	29,300	31,456
Payables to social security institutions	7,947	15,807
Payables to consultants and professionals	8,148	9,494
Other payables	10,279	4,907
	483,592	547,148

Payables for investment activities equal to € 375,723 thousand (€ 308,745 thousand as at 31 December 2022) mainly relate to payables to suppliers for technical activities.

The 2021 purchase of the concession of Olevano sul Tusciano is subject to a price adjustment clause according to the ultimate RAB to be approved by ARERA following the upholding of a specific request for correction of the equity data submitted by the seller on 14 September 2018 as concession-holder, in accordance with the provisions of RTDG 2014-2019, subject to the final tariffs of 2020. The Group has reflected the best estimate available of said value in the financial statements.

Payables to the public administration (€ 85,634 thousand; € 83,591 thousand as at 31 December 2022) primarily involve payables to municipalities for concession fees for the gas distribution business.

Payables to the CSEA (€ 21,037 thousand; € 34,708 thousand as at 31 December 2022) mainly relate to several ancillary components of tariffs for the gas distribution service to be paid to this Fund (RE, RS, UG1 and GS)⁹ for the remaining amount.

⁹ These components refer to: (i) RE - Variable portion to cover the expenses for calculating and implementing energy savings and the development of renewable energy sources in the natural gas sector; (ii) RS - Variable portion as coverage for expenses for gas services quality; (iii) UG1 - Variable portion to cover any imbalances in the equalisation system and to cover any adjustments; and (iv) GS - Variable portion to cover the tariff compensation system for economically disadvantaged customers.

Payables to related parties are described in the note "Related party transactions".

The book value of trade payables and other payables, considering the limited time interval between the occurrence of the payable and its maturity, is an approximation of the fair value. See the "Guarantees, commitments and risks - Other information on financial instruments" note for the market value of the trade payables and other payables.

19. OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS/ LIABILITIES

The market value of the derivative financial instruments as at 31 December 2023 is analysed below:

(€ thousands)	31.12.2022			31.12.2023		
	Current	Non-current	Total	Current	Non-current	Total
Other assets	17,455	35,442	52,897	18,094	13,708	31,802
Derivative financial instruments Cash flow hedge						
- Fair value interest rate hedging instruments	16,809	34,368	51,177	17,228	13,255	30,483
Derivative financial instruments for foreign exchange risk						
- Fair value instruments for foreign exchange risk	646	1,074	1,720	866	453	1,319
Other liabilities	(290)	(34)	(324)	-	-	-
Derivative financial instruments Cash flow hedge						
- Fair value interest rate hedging instruments	(290)	(34)	(324)	-	-	-

The value of **other current and non-current assets** for € 31,802 thousand is essentially related to the fair value of derivative financial instruments to hedge the risk of fluctuations in interest rates accounting for according to IFRS 9 in hedge accounting. The item also contains, for a net value of € 1,319 thousand, the fair value of the instrument for foreign exchange risk to hedge future payment flows in USD on Picarro invoices, the total hedged amount for which is \$ 7.7 million. The Group did not apply hedge accounting under IFRS 9 for instruments to hedge payment flows in USD, as it is for operational hedging only.

	Date stipulated	Initial amount as at of 15.01.2021 USD hedging	Residual value as at of 31.12.2023 USD	Foreign exchange rate on the subscription date	Foreign exchange rate on expiry (*)	Expiry date (last hedge)
Foreign exchange risk derivative	15.01.2021	16,300,000,00	7,720,000,00	1.2131	da 1,2143 a 1,2517	31.10.2024

(*) Based on future instalments.

On 28 December 2017 Italgas entered into an EIB loan for an amount of € 360 million, expiring on 15 December 2037. The loan involves the payment of half-yearly coupons at a variable rate of Euribor 6M + spread 0.355%.

On 15 January 2018 Italgas entered into an Interest Rate Swap, effective from 15 January 2018, expiring in 2024 and with the same coupon frequency as the loans.

On 12 December 2016 Italgas entered into an EIB loan for an amount of € 300 million, expiring on 30 November 2032. The loan involves the payment of half-yearly coupons at a variable rate of Euribor 6M + spread 0.47%.

On 24 July 2019 Italgas also entered into an Interest Rate Swap, effective from 24 July 2019, expiring in 2029 and with the same coupon frequency as the loans.

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The IRS characteristics are summarised below:

	Date stipulated	Amount	ITG rate	Bank rate	Coupon	Expiration date
"Italgas Gas Network Upgrade" EIB loan	28.12.2017	336,000,000	var EUR 6m+ spread 0.355%		half-yearly	15.12.2037
IRS derivative	15.01.2018	336,000,000	0.62%	var EUR 6m	half-yearly	15.12.2024
"Smart Metering" EIB loan	12.12.2016	225,000,000	var EUR 6m+ spread 0.47%		half-yearly	30.11.2032
IRS derivative	24.07.2019	225,000,000	(0.06)%	var EUR 6m	half-yearly	30.11.2029

The derivatives stipulated to hedge the interest rate are booked according to the rules of hedge accounting. The effectiveness testing carried out as at 31 December 2023 did not show any impacts on the income statement in terms of ineffectiveness.

20. OTHER CURRENT AND NOT-CURRENT NON-FINANCIAL LIABILITIES

Other current non-financial liabilities, amounting to € 17,393 thousand (€ 30,072 thousand as at 31 December 2022) and **other non-current non-financial liabilities**, amounting to € 527,884 thousand (€ 545,192 thousand as at 31 December 2022), are broken down as follows:

(€ thousand)	31.12.2022			31.12.2023		
	Current	Non-current	Total	Current	Non-current	Total
Other tax liabilities	12,073		12,073	9,746		9,746
Accruals and deferrals connection contributions		510,760	510,760		522,331	522,331
Liabilities for security deposits	-	4,683	4,683	-	5,553	5,553
Other	17,999	29,749	47,748	7,647	-	7,647
	30,072	545,192	575,264	17,393	527,884	545,277

Other non-current liabilities, totalling € 527,884 thousand, mainly regard connection contributions totalling € 522,331 thousand.

Other current tax liabilities of € 9,746 thousand mainly refer to payables to the tax authorities for IRPEF withholdings for employees.

21. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges, which amount to € 109,851 thousand as at 31 December 2023 (€ 144,277 thousand as at 31 December 2022), comprise the following:

(€ thousand)								31.12.2022
	Opening balance	Change in scope of consolidation	Provisions	Discounting	Uses against charges	Releases	Other changes	Closing balance
Provisions for environmental risks and charges	83,809	-	-	(176)	(8,525)	(60)	-	75,048
Provisions for site decommissioning risks and charges	4,857	-	-	(4)	(94)	-	(826)	3,933
Risk provision for litigation	13,366	3,740	1,190	-	(1,480)	(4,607)	(959)	11,250
Provisions for other risks - energy efficiency certificates	5,886	-	2,562	-	(4,205)	(822)	-	3,421
Provision for retirement risks	11,658	5,000	-	-	(1,981)	-	-	14,677
Provision for operational restoration of metering instruments	30,420	-	-	-	(14,715)	-	(2,858)	12,847
Other personnel risk provisions	2,734	-	782	-	(819)	(53)	163	2,807
Risk provision for tax disputes	283	-	-	-	-	-	-	283
Other provisions	6,493	13,954	257	-	(685)	-	(8)	20,011
	159,506	22,694	4,791	(180)	(32,504)	(5,542)	(4,488)	144,277

(€ thousand)								31.12.2023
	Opening balance	Change in scope of consolidation	Provisions	Discounting	Uses against charges	Releases	Other changes	Closing balance
Provisions for environmental risks and charges	75,048	-	-	336	(13,714)	(3,554)	-	58,116
Provisions for site decommissioning risks and charges	3,933	-	-	658	(186)	-	520	4,925
Risk provision for litigation	11,250	-	3,922	-	(2,283)	(2,816)	(50)	10,023
Provisions for other risks - energy efficiency certificates	3,421	-	1,585	-	(404)	-	-	4,602
Provision for retirement risks	14,677	-	-	-	(2,058)	(500)	-	12,119
Provision for operational restoration of metering instruments	12,847	-	-	-	(12,847)	-	-	-
Other personnel risk provisions	2,807	-	485	-	(599)	-	-	2,693
Risk provision for tax disputes	283	-	92	-	(152)	-	-	223
Other provisions	20,011	-	2,955	-	(5,604)	(212)	-	17,150
	144,277	-	9,039	994	(37,847)	(7,082)	470	109,851

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The provision for environmental risks and charges of € 58,116 thousand (€ 75,048 thousand as at 31 December 2022) mainly included costs for environmental soil reclamation, pursuant to Law no. 471/1999, as subsequently amended, primarily for the disposal of solid waste, in relation to the gas distribution business. The decrease of € 16,932, thousand, is mainly due to uses in view of period expenses (€ 13,714 thousand).

Discounting was carried out using a rate curve representative of the risk-free rate.

The risk provision for litigation (€ 10,023 thousand) included costs which the Group has estimated it will incur for existing lawsuits. The net decrease of € 1,227 thousand was mainly due to the combined effect of uses against charges (€ 2,283 thousand) and releases (€ 2,816 thousand) partially offset by provisions for the year amounting to € 3,922 thousand. For further information, please see subsection "Disputes and other measures".

The Energy Efficiency Certificates risk provision (EEC) of € 4,602 thousand (€ 3,421 thousand as at 31 December 2022) is connected with reaching the targets set by the Authority.

The risk provision for early retirement of € 12,119 thousand (€ 14,677 thousand as at 31 December 2022) involves personnel incentive and mobility schemes.

The other risk provisions, of € 17,150 thousand (€ 20,011 thousand as at 31 December 2022), includes the liability relating to reimbursements to be paid to EVIKEN - Hellenic Union of Industrial Energy Consumers (€ 8,826 thousand).

In accordance with ESMA Recommendation 2015/1608 of 27 October 2015, the effects on provisions of risks and charges arising from a reasonably possible change to the discount rate used at year-end are shown below. The sensitivity analysis on the discounting rates shows the change in value of the actuarial liabilities obtained with the year-end assessment data, by changing the discounting rate, without prejudice to other hypotheses.

(€ thousands)	% change in discounting rates	
	10% reduction	10% increase
Effect on net obligation at 31.12.2023		
Provision for site decommissioning risks and charges	173	(165)
Provisions for environmental risks and charges	660	(435)

22. PROVISIONS FOR EMPLOYEE BENEFITS

Provisions for employee benefits, which amount to € 65,330 thousand as at 31 December 2023 (€ 69,917 thousand as at 31 December 2022) comprise the following:

(€ thousands)	31.12.2022	31.12.2023
Employee severance pay (TFR)	49,824	46,233
Supplementary healthcare provision for company executives of Eni (FISDE)	6,543	6,556
Gas Fund	9,942	8,487
Other provisions for employee benefits	3,608	4,054
	69,917	65,330

The employee severance fund (TFR), governed by Article 2120 of the Italian Civil Code, represents the estimated liability determined on the basis of actuarial procedures for the amount to be paid to employees at the time that the employment is terminated. The principal amount of the benefit is equal to the sum of portions of the allocation calculated on compensation items paid during the employment and revalued until the time that such relationship is terminated. Due to the legislative changes introduced from 1 January 2007 for companies with more than 50 employees, a significant part of severance pay to be accrued is classified as a defined-contribution plan since the company's only obligation is to pay the contributions to the pension funds or to INPS.

The supplementary healthcare provision (€ 6,556 thousand as at 31 December 2023) includes the estimate of costs (determined on an actuarial basis) related to contributions benefiting current¹⁰ and retired executives.

FISDE provides financial supplementary healthcare benefits to Eni Group¹¹ executives and retired executives whose most recent contract of employment was as an executive with the Eni Group. FISDE is funded through the payment of: (i) contributions from member companies; (ii) contributions from individual members for themselves and their immediate family; and (iii) ad hoc contributions for specific benefits. The amount of the liability and the healthcare cost are determined on the basis, as an approximation of the estimated healthcare expenses paid by the fund, of the contributions paid by the company in favour of pensioners.

The Gas Fund (€ 8,487 thousand at 31 December 2023) relates to the estimate, made on an actuarial basis, of the charges sustained by the employer due to the elimination, as at 1 December 2015, of the fund pursuant to Law no. 125 of 6 August 2015. In particular, Articles 9-decies and 9-undecies of the Law stipulate that the employer must cover: (i) an extraordinary contribution to cover expenses related to supplementary pension benefits in place at the time of the elimination of the Gas Fund for the years 2015 to 2020¹²; and (ii) a contribution in favour of those registered or in voluntary continuation of the contribution, that as at 30 November 2015 were not entitled to supplementary pension benefits from the eliminated Gas Fund, of 1% for each year of registration in the supplementary fund, multiplied by the social security tax base relating to the same supplementary fund for 2014, to be allocated through the employer or the supplementary pension scheme.

At present, the criteria, procedures and time periods for payment of the extraordinary contribution have not yet been announced. Employee selection of where the amounts would be allocated (supplementary pension scheme or to the employer) were concluded, pursuant to the law, on 14 February 2016.

The other provisions for employee benefits (€ 4,045 thousand as at 31 December 2023) relate to seniority bonuses and the long-term incentive plans (LTI).

The long-term incentive plans (IAS 19) envisage, after three years of assignment, the disbursement of a variable monetary benefit linked to a corporate performance parameter, not linked to the share price. Obtaining the benefit depends on the achievement of certain future performance levels and is conditional on the beneficiary remaining with the Company for the three-year period following the allocation (the "vesting period"). This benefit is allocated pro rata over the three-year period depending on the final performance parameters.

Seniority bonuses are benefits paid upon reaching a minimum service period at the Company and are paid in kind.

Deferred cash incentive plans, long-term cash incentive plans and seniority bonuses are classified as other long-term benefits pursuant to IAS 19.

¹⁰ For executives in service, contributions are calculated from the year in which the employee retires and refer to the years of service provided.

¹¹ The fund provides the same benefits for Italgas Group executives.

¹² Article 9-quinquiesdecies also stipulates that "... If monitoring shows that the extraordinary contribution pursuant to Article 9-decies is insufficient to cover the relative expenses, a decree issued by the Ministry of Labour and Social Policy, in concert with the Ministry of Economic Development and the Ministry of Economy and Finance, provides for the redetermination of the extraordinary contribution, the criteria for redistribution of the contribution between employers and the time periods and procedures for payment of the extraordinary INPS contribution".

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The composition of and changes in provisions for employee benefits, determined by applying actuarial methods, are as follows¹³:

(€ thousands)	31.12.2022					31.12.2023				
	Employee severance fund	FISDE	Gas Fund	Other provisions	Total	Employee severance fund	FISDE	Gas Fund	Other provisions	Total
Current value of the obligation at the start of the year	62,445	8,868	20,479	3,856	95,648	49,824	6,543	9,942	3,608	69,917
Current cost	146	139		1,427	1,712	160	165		751	1,076
Cost for interest	209	53	44	23	329	1,625	249	363	82	2,319
Revaluations / (Impairment):	(1,389)	(2,517)	(421)	711	(3,616)	(358)	(401)	168	(22)	(613)
- Actuarial (Gains) / Losses resulting from changes in the demographic assumptions						91				91
- Actuarial (Gains) / Losses resulting from changes in the financial assumptions	(7,036)	(2,063)	(2,431)	(901)	(12,431)	557	6,556	82	398	7,593
- Effect of past experience	2,913	(454)	2,046	1,612	6,117	(593)	(6,957)	86	2	(7,462)
- Other changes	2,734		(36)		2,698	(413)			(422)	(835)
Paid benefits	(11,560)		(10,160)	(2,409)	(24,129)	(5,303)		(1,986)	(365)	(7,654)
Effect of transfers	(27)				(27)	285				285
Current value of the obligation at the end of the year	49,824	6,543	9,942	3,608	69,917	46,233	6,556	8,487	4,054	65,330

The main actuarial assumptions used to determine liabilities at the end of the year and to calculate the cost for the following year are indicated in the table below.

	2022				2023			
	Employee severance fund	FISDE	Gas Fund	Other provisions	Employee severance fund	FISDE	Gas Fund	Other provisions
Discount rate (%)	3.65	3.80	3.63	3.39	2.98	3.17	2.97	3.40
Inflation rate (%) (*)	2.50	N/A	N/A	2.50	1.80	NA	N/A	2.00

(*) With reference to the other provisions, the rate refers only to the seniority bonuses.

¹³ The table also provides a reconciliation of liabilities recorded for provisions for employee benefits.

(€ thousands)	Discount rate			
	reduction		increase	
	%	amount	%	amount
Effect on net obligation at 31.12.2023				
Employment severance pay	2.48	3,662	3.48	(3,506)
FISDE	2.67	373	3.67	(339)
Gas Fund	2.47	251	3.47	(241)
Other provisions for employee benefits	2.90	118	3.90	(110)
		4,404		(4,196)

The maturity profile of the obligations for employee benefit plans is shown in the following table:

(€ thousands)	31.12.2022					31.12.2023				
	Employee severance fund	FISDE	Gas Fund	Other provisions	Total	Employee severance fund	FISDE	Gas Fund	Other provisions	Total
Within the next year	8,246	335	601	1,866	11,048	9,643	334	515	1,949	12,441
Within five years	22,651	1,136	5,053	1,742	30,582	19,856	1,171	4,731	2,105	27,863
Beyond five and up to ten years	17,363	1,044	4,288		22,695	16,601	1,080	3,241		20,922
Beyond ten years	1,564	4,028			5,592	133	3,971			4,104
	49,824	6,543	9,942	3,608	69,917	46,233	6,556	8,487	4,054	65,330

23. DEFERRED TAX LIABILITIES

Net deferred tax liabilities of € 47,780 thousand (€ 91,633 thousand as at 31 December 2022) are stated net of offsettable prepaid tax assets and are analysed in the tables below:

(€ thousands)	31.12.2021	Change in scope of consolidation	Provisions	Uses	Other changes	31.12.2022
Deferred tax liabilities	313,317	51,436	8,104	(29,836)	15,857	358,878
Deferred tax assets	(262,526)	(15,610)	(24,237)	31,463	3,665	(267,245)
	50,791	35,826	(16,133)	1,627	19,522	91,633

(€ thousands)	31.12.2022	Change in scope of consolidation	Provisions	Uses	Other changes	31.12.2023
Deferred tax liabilities	358,878		547	(18,869)	(5,087)	335,469
Deferred tax assets	(267,245)		(44,364)	26,722	(2,802)	(287,689)
	91,633		(43,817)	7,853	(7,889)	47,780

There are no prepaid income taxes which cannot be offset.

Deferred tax liabilities and deferred tax assets break down as follows, based on the most significant temporary differences:

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(€ thousands)	Opening balance	Changes in scope of consolidation	Provisions	Uses	Impacts recorded in shareholders' equity	Other changes	Closing balance	of which: IRES	of which: IRAP
Deferred tax liabilities	313,317	51,436	8,104	(29,836)	11,835	4,022	358,878	308,303	50,575
Amortisation and depreciation exclusively for tax purposes	190,159		24	(15,142)		(118)	174,923	148,871	26,052
Revaluations of property, plant and equipment	93,012		34	(12,283)		56	80,819	68,782	12,037
Capital gains subject to deferred taxation	1,521		7,250	(2,083)		(1)	6,687	6,687	
Employee benefits	12,185			(6)	18		12,197	12,197	
Capitalisation of financial expense	2,335			(123)			2,212	1,883	329
Impairment losses on receivables in excess of tax deductibility	-		495	(180)		1	316	316	
Other temporary differences	14,105	51,436	301	(19)	11,817	4,084	81,724	69,567	12,157
Deferred tax assets	(262,526)	(15,610)	(24,237)	31,463	2,147	1,518	(267,245)	(250,077)	(17,168)
Provisions for risks and charges and other non-deductible provisions	(42,691)		(1,753)	12,785		(170)	(31,829)	(27,210)	(4,619)
Non-repayable and contractual grants	(62,477)			9,524		207	(52,746)	(45,909)	(6,837)
Non-deductible amortisation and depreciation	(136,626)		(21,936)	7,190		379	(150,993)	(150,336)	(657)
Employee benefits	(9,414)		(354)	1,454	173	2,655	(5,486)	(4,332)	(1,154)
Other temporary differences	(11,318)	(15,610)	(194)	510	1,974	(1,553)	(26,191)	(22,290)	(3,901)
Net deferred tax liabilities	50,791	35,826	(16,133)	1,627	13,982	5,540	91,633	58,226	33,407

31.12.2023

(€ thousands)	Opening balance	Changes in scope of consolidation	Provisions	Uses	Impacts recorded in shareholders' equity	Other changes	Closing balance	of which: IRES	of which: IRAP
Deferred tax liabilities	358,878		547	(18,869)	(117)	(4,970)	335,469	284,894	50,575
Amortisation and depreciation exclusively for tax purposes	174,923		24	(8,170)			166,777	140,724	26,053
Revaluations of property, plant and equipment	80,819		248	(7,423)			73,644	61,607	12,037
Capital gains subject to deferred taxation	6,687			(2,073)			4,614	4,614	
Employee benefits	12,197			41		(38)	12,200	12,200	
Capitalisation of financial expense	2,212			(122)			2,090	1,761	329
Impairment losses on receivables in excess of tax deductibility	316		205	(403)		180	298	298	
Other temporary differences	81,724		70	(719)	(117)	(5,112)	75,846	63,690	12,156
Deferred tax assets	(267,245)		(44,364)	26,722	(4,766)	1,964	(287,689)	(275,140)	(12,549)
Provisions for risks and charges and other non-deductible provisions	(31,829)		(10,400)	11,443			(30,786)	(30,786)	
Non-repayable and contractual grants	(52,746)			2,722			(50,024)	(43,187)	(6,837)
Non-deductible amortisation and depreciation	(150,993)		(22,480)	2,464			(171,009)	(170,352)	(657)
Employee benefits	(5,486)		(23)	(560)			(6,069)	(4,915)	(1,154)
Other temporary differences	(26,191)		(11,461)	10,653	(4,766)	1,964	(29,801)	(25,900)	(3,901)
Net deferred tax liabilities	91,633		(43,817)	7,853	(4,883)	(3,006)	47,780	9,754	38,026

Deferred tax assets and deferred tax liabilities are considered to be long term.

It should be noted that there are no deductible temporary differences, tax losses and unused tax credits for which, in the balance sheet, the deferred tax asset is not recognized.

Furthermore, there are no temporary differences relating to investments in subsidiaries, branches and associated companies, and to jointly controlled investments, for which a deferred tax liability has not been recognized.

The Group has deemed it appropriate to set aside prepaid taxes on the timing differences at 31 December 2023, insofar as it believes it is likely they will be recovered. The Company Management assessed for the financial statements as at 31 December 2023, on the basis of the Business Plan, that there was reasonable certainty around the recovery of prepaid tax posted during the Purchase Price Allocation of the Enaon (formerly DEPA Infrastructure).

The note "Income taxes" provides information about taxes for the year.

24. SHAREHOLDERS' EQUITY

Shareholders' equity, which amounts to € 2,600,744 thousand as at 31 December 2023 (€ 2,390,570 thousand as at 31 December 2022) breaks down as follows:

(€ thousands)	31.12.2022	31.12.2023
Shareholders' equity attributable to Italgas	2,108,262	2,280,072
Share capital	1,002,608	1,003,228
Legal reserve	200,246	200,646
Share premium reserve	624,449	626,252
Reserve Cash flow hedge on derivative contracts	38,261	22,683
Consolidation reserve	(323,907)	(323,907)
Reserve for business combinations under common control	(349,839)	(349,839)
Stock grant reserve	7,202	9,417
Fair value valuation reserve for equity investments	609	238
Other reserves	12,534	13,063
Profits relating to previous years	496,006	645,747
Reserve for recalculation of defined-benefit plans for employees	(7,195)	(7,024)
Net profit (loss)	407,288	439,568
<i>to be deducted</i>		
- Treasury shares	-	-
Shareholders' equity attributable to minority interests	282,308	320,672
	2,390,570	2,600,744

Share capital

On 10 March 2021, as part of the 2018-2020 Co-investment Plan approved by the Company's Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Italgas' Board of Directors resolved on the free allocation of a total of 632,852 new ordinary shares of the Company to the beneficiaries of the Plan itself and implemented the first tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 784,736.48, drawn from other reserves.

On 9 March 2022, in execution of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Board of Directors resolved on the free allocation of a total of 477,364 new ordinary shares of the Company to the beneficiaries of said Plan (second cycle of the Plan) and executed the second tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 591,931.36, taken from retained earning reserves.

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On 09 March 2023, the Board of Directors resolved on: (i) the free allocation of no. 499,502 ordinary Company shares to the beneficiaries of the plan given the rights assigned (so-called third cycle of the plan) to such beneficiaries and accrued in accordance with the provisions of said plan at the end of the relative performance period (2018-2020) and (ii) the third and last tranche of the capital increase serving the plan was implemented, for a nominal amount of € 619,382.48 taken from the retained profits with the issue of no. 499,502 new ordinary shares.

Moreover, on 20 April 2021, the Italgas Shareholders' Meeting approved the 2021-2023 Co-investment Plan and the proposed free share capital increase, in one or more tranches, for the purposes of the aforesaid 2021-2023 Co-investment Plan for a maximum nominal amount of € 5,580,000.00, by means of the issuance of up to 4,500,000 new ordinary shares. These shares are to be assigned, in accordance with Article 2349 of the Italian Civil Code, for a corresponding maximum amount taken from retained earning reserves, to the beneficiaries of the Plan only; in other words, only to employees of the Company and/or of the companies in the Group.

Legal reserve

The legal reserve as at 31 December 2023 stood at € 200,646 thousand. The increase of € 400 thousand relates to the resolution of the Shareholders' Meeting of 20 April 2023.

Share premium reserve

The share premium reserve, which totalled € 626,252 thousand (€ 624,449 thousand as at 31 December 2022), was created after the equity investment in Italgas Reti S.p.A. was acquired. The increase of € 1,803 thousand relates to the implementation of the 2018 Co-Investment Plan.

OCI Reserve Cash Flow Hedge on derivative contracts

The reserve, amounting to € 22,683 thousand (€ 38,261 thousand as at 31 December 2022), includes the fair value of the IRS derivative net of the related tax effect. The reserve changes with the accounting of cash flows deriving from instruments which, for the purposes of IFRS 9, are designated as "cash flow hedging instruments". The related tax effect is reported in the "tax effect" item of the "Components reclassifiable to the income statement" in the Statement of comprehensive income.

First-time consolidation reserve

The first-time consolidation reserve, amounting to € -323,907 thousand, was determined during the first-time consolidation (year 2016) following the sale by Snam S.p.A. to Italgas S.p.A. of 38.87% of the equity investment in Italgas Reti S.p.A. (difference between the purchase cost of the equity investment of Italgas Reti and the related shareholders' equity pertaining to the group).

Reserve for business combinations under common control

The reserve for business combinations under common control, amounting to -€ 349,839 thousand, relates to the acquisition by Snam S.p.A. of 38.87% of the equity investment in Italgas Reti S.p.A.

To this regard it should be specified that the natural gas distribution activities were acquired through three simultaneous transactions (transfer, sale and demerger) of the equity investment held by Snam S.p.A. in Italgas Reti S.p.A. in favour of Italgas S.p.A. This transaction led to the deconsolidation of the natural gas distribution sector for Snam, and the acquisition of the equity investment in Italgas Reti and, at consolidated level, of the net assets of the gas distribution sector for Italgas S.p.A. The reader is reminded that the shareholder of reference of Snam, CDP, is concomitantly the shareholder of reference of Italgas. The exposure described above reflects an approach based on the continuity of book values (as regards Snam) since the transaction represents an "aggregation of corporate entities or activities under common control" within the scope of the broader group of which Italgas is part. The companies taking part in the business combination (Snam, Italgas and Italgas Reti) remained subject to control because of the transactions and therefore they were fully consolidated by the same subject (CDP) pursuant to the IFRS 10 accounting standard, as Snam explained in its disclosure document pursuant to Article 70 and Italgas explained in its disclosure document pursuant to Article 57.

Stock grant reserve

The reserve includes valuation according to IFRS 2 of the co-investment plan approved on 19 April 2018 by the Shareholders' Meeting of Italgas S.p.A.

On 19 April 2018 the Italgas' Shareholders' Meeting approved the 2018-2020 Long term share incentive plan, intended for the Chief Executive Officer, General Manager and senior executives identified among those in a position to influence the company's results, with the annual assignment of three-year objectives. At the end of the performance period of three years, if the conditions set out in the Plan have been met, the beneficiary shall be entitled to receive Company shares free of charge. The maximum number of shares that may be allocated through the plan is 4,000,000 shares. In relation to the aforementioned plan, the Board of Directors attributed, upon the recommendation of the Appointments and Remuneration Committee and in keeping with the 2018 Remuneration Policy, rights to receive Italgas shares in the amounts of 341,310 for the 2018-2020 plan, 279,463 for the 2019-2021 plan, and 327,760 for the 2020-2022 plan. The unitary fair value of the share, determined by the value of the Italgas share on the grant date, is respectively € 4.79, € 5.58 and € 4.85 per share. The cost related to the Long Term Share Incentive Plan is recorded during the vesting period as a component of the personnel costs, with a contra entry in the shareholders' equity.

On 10 March 2021, the Board of Directors resolved on: (i) free allocation of a total of 632,852 new ordinary shares of the Company to the beneficiaries of the 2018-2020 Plan; and (ii) execution of the first tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 784,736.48, drawn from retained earning reserves.

Italgas' Shareholders' Meeting held on 20 April 2021 approved the 2021-2023 Incentive Plan and the proposed free share capital increase, in one or more tranches, for the purposes of the aforesaid 2021-2023 Incentive Plan for a maximum nominal amount of € 5,580,000.00, by means of the issuance of up to 4,500,000 new ordinary shares to be assigned free of charge, by means of assignment pursuant to Article 2349 of the Italian Civil Code, for a corresponding maximum amount taken from retained earning reserves, to the beneficiaries of the Plan only; in other words, only to employees of the Company and/or of the companies in the Group. In connection with this plan, the Board of Directors attributed, upon the recommendation of the Appointments and Remuneration Committee and in keeping with the 2021 Remuneration Policy, rights to receive 254,765 Italgas shares for the 2021-2023 co-investment plan. The unitary fair value per share is € 5.55.

OCI Fair value valuation reserve for equity investments

The fair value valuation reserve (€ 238 thousand) includes the change in fair value, net of tax effects, of minority interests which on initial recognition were designated as valued at FVTOCI (fair value recognised through other comprehensive income). For more details, see the note "Non-current financial assets".

Other reserves

The other reserves relate to the effects deriving from the valuation of equity investments.

OCI Reserve for remeasurement of defined-benefit plans for employees

The reserve for remeasurement of employee benefit plans (€ -7,024 thousand at 31 December 2023) included actuarial losses, net of the relative tax effect, recognised under other components of comprehensive income pursuant to IAS 19. The changes in the reserve during the course of the year are shown below:

(€ thousands)	Gross reserve	Tax effect	Net reserve
Reserve as at of 31.12.2021	(21,053)	5,913	(15,140)
Changes of the year 2022	11,035	(3,090)	7,945
Reserve as at of 31.12.2022	(10,018)	2,823	(7,195)
Changes of the year 2023	245	(74)	171
Reserve as at of 31.12.2023	(9,773)	2,749	(7,024)

Treasury shares

As at 31 December 2023 Italgas did not have any treasury shares in its portfolio.

Shareholders' equity attributable to minority interests

The Shareholder's equity attributable to minority interests is broken down below:

(€ thousands)	Shareholders' equity attributable to minority interests 31.12.2022	Shareholders' equity attributable to minority interests 31.12.2023	Net income attributable to minority interests 31.12.2022	Net income attributable to minority interests 31.12.2023
Toscana Energia S.p.A.	201,334	206,862	18,080	18,394
Medea S.p.A.	38,082	60,989	8,176	1,272
Geoside S.p.A.	14,160	19,627	2,892	5,479
Gaxa S.p.A.	-	-	(305)	-
Italgas Newco S.p.A. subconsolidated	4,486	29,913	43	2,870
Janagas S.r.l.	21,642	-	31	-
Immogas S.p.A.	2,604	2,488	(79)	(116)
Siciliacque S.p.A.		793		4
	282,308	320,672	28,838	27,903

Dividends

In its meeting of 12 March 2024, the Board of Directors proposed to the Shareholders' Meeting the distribution of an ordinary dividend of € 0.352 per share. The dividend will be paid out as at 22 May 2024, with an ex-coupon date of 20 May 2024 and a record date of 21 May 2024.

Reconciliation statement of the result for the year and of the shareholders' equity of Italgas S.p.A. with the consolidated ones.

(€ thousands)	Profit net 2023	Shareholders' equity 31.12.2023
Financial statements Italgas S.p.A.	301,434	1,838,787
Profit of the companies included in the consolidation	480,364	
Difference between book value of investments consolidated companies and shareholders' equity of the financial statements, including the result		487,424
Adjustments consolidation:		
Dividends net of the tax effect	(317,192)	
Income from valuation of equity investments with the equity method and other income from equity investments	1,376	51,226
Other consolidation adjustments net of the tax effect	1,489	223,306
Net income attributable to minority interests	(27,903)	(320,671)
	138,134	441,285
Consolidated financial statements Group	439,568	2,280,072

25. GUARANTEES, COMMITMENTS AND RISKS

Guarantees, commitments and risks, amounting to € 1,982,007 thousand as at 31 December 2023 comprise:

(€ thousands)	31.12.2022	31.12.2023
Bank guarantees given in the interest of Group companies	495,565	445,703
Financial commitments and risks:	1,829,217	1,536,304
Commitments	1,528,667	1,219,646
Commitments for the purchase of goods and services	1,528,667	1,219,646
Risks	300,550	316,658
- for compensation and litigation	300,550	316,658
	2,324,782	1,982,007

Guarantees

Guarantees of € 445,703 thousand refer mainly to guarantees issued with regard to sureties and other guarantees issued in the favour of subsidiaries.

It should be noted that as part of the entry into ERG's share capital and the sale of assets, Medea issued a guarantee of € 26 million on the financing obtained by ERG preparatory to the operation.

Commitments

At 31 December 2023, commitments with suppliers to purchase property, plant and equipment and provide services relating to the purchase of property, plant and equipment and intangible assets under construction amounted to € 1,219,646 thousand.

Other unvalued commitments

The acquisition of 51% of the share capital of ACAM Gas S.p.A. by the subsidiary Italgas Reti, which took place in 2015, involves mutual commitments by the parties in relation to the first public tender for the awarding of the La Spezia ATEM.

The acquisition of the equity investment of Enerco Distribuzione by the subsidiary Italgas Reti, which took place in 2017, is subject to an ownership price adjustment (so-called "earn-out") clause.

The acquisition of the "Alessandria 4 ATEM" business unit by the subsidiary Italgas Reti, which took place in 2020, is subject to a price adjustment (so-called "earn-out") clause if the Alessandria 4 ATEM tender is awarded within 10 years of the signing date and if the contracting authority in the aforesaid tender procedure recognises a higher reimbursement value than the pro-forma value under the agreement, for the same year of reference.

On 27 December 2022, Italgas S.p.A., Toscana Energia S.p.A. and Alia Servizi Ambientali S.p.A. ("Alia") signed an agreement aimed at defining: (i) the terms and conditions for the approval by the Board of Directors of Toscana Energia in relation to Alia's takeover of the ownership of the Toscana Energia shares held by the Municipality of Florence as a result of the contribution of treasury shares in favour of its subsidiary Alia, (ii) the recognition of an option right in favour of Italgas on the Toscana Energia shares held by the Municipality of Florence at the time the option is exercised.

The price for the purchase of the Shares subject to the option will be equal to the "Fair market value" referring to the date of execution of the option, calculated using a valuation methodology compliant with the best international practice for a regulated business of natural gas distribution (i.e. RAB) and subject to adjustment based on the value of the net financial position of Toscana Energia at the date on which the option is executed.

As part of the investment agreement signed on 26 July 2022 and amended in 2023 between Medea S.p.A. and Energetica S.p.A. (the "Parties") related to the acquisition by Medea of a 49% stake in the share capital of Energie Rete Gas S.r.l. ("ERG") through a mixed transaction involving the contribution and sale of assets included in a business unit, the Parties mutually agreed to ensure that ERG, in relation to the assets sold, would obtain: (i) recognition, from the competent ministry, among the Company's infrastructure and/or regional transmission services of natural gas ("Transport Authorisation") and (ii) recognition, under the tariff regulatory profile, as regional transport service ("Tariff Recognition").

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The Parties also mutually agreed to ensure that, should the aforementioned Transport Authorisation not be recognised by 31 December 2024, the necessary measures be implemented for restoration of the legal situation in place prior to the date of the agreement for an asset value of € 74.2 million.

In 2023, Medea and ERG signed a service agreement that provides that Medea will pay ERG a fee for the transport service provided by ERG. This agreement was necessary for the management of the transitional period; once ERG obtains the transport authorisation and tariff recognition, the agreement will be terminated.

The acquisition in 2023 of the business unit to which the concessions held in Italy in the water sector belonged is subject to an ownership price adjustment (so-called "earn-out") for a maximum € 36,4 million clause, to be determined for four years according to annual measurements based on net takings on certain receivables by the associated companies Siciliacque and Acqualatina. Furthermore, subject to the extension of the concession entered into by Acqua Campania and the Campania Region, an additional component of the fee is envisaged for a maximum of € 4 million.

Risks

Risks concerning compensation and litigation (€ 316,658 thousand) relate to possible (but not probable) claims for compensation arising from ongoing litigation, with a low probability that the pertinent economic risk will arise.

FINANCIAL RISK MANAGEMENT

FOREWORD

Italgas has established the Enterprise Risk Management (ERM) unit, which reports directly to the CFO and oversees the integrated process of managing corporate risk for all Group companies. The main objectives of the ERM are to define a homogeneous and transversal risk assessment model, to identify priority risks and to guarantee the consolidation of mitigation actions and the development of a reporting system.

The ERM methodology adopted by the Italgas Group is in line with the reference models and existing international best practices (COSO Framework and ISO 31000).

The ERM unit operates as part of the wider Italgas' Internal Control and Risk Management System.

The main corporate financial risks identified, monitored and, where specified below, managed by Italgas are as follows:

- risk arising from exposure to fluctuations in interest rates;
- credit risk arising from the possibility of counterparty default;
- liquidity risk arising from not having sufficient funds to meet short-term financial commitments;
- rating risk;
- debt covenant and default risk.

There follows a description of Italgas' policies and principles for the management and control of the risks arising from the financial instruments listed above. In accordance with IFRS 7 - "Financial instruments: Additional information", there are also descriptions of the nature and size of the risks resulting from such instruments.

Information on other risks affecting the business (operational risk and risks specific to the segment in which Italgas operates) can be found in the "Elements of risk and uncertainty" section of the Directors' Report.

INTEREST RATE RISK

Fluctuations in interest rates affect the market value of Italgas' financial assets and liabilities and its net financial expense.

An increase in interest rates, not implemented – in full or in part – in the regulatory WACC, could

have negative effects on the assets and on the economic and financial situation of the Italgas Group for the variable component of the debt in place and for future loans.

At full performance, Italgas aims to maintain a debt ratio between a fixed rate and floating rate to minimise the risk of rising interest rates. As at 31 December 2023 the financial debt at floating rate was 8.1% and at fixed rate was 91.9%. Please refer to the paragraph "Short-term and long-term financial liabilities" for further details.

Below are the impacts on shareholders' equity and the net period result at 31 December 2023 of a hypothetical positive and negative variation of 10 basis points (bps) of the interest rates effectively applied during the year.

(€ thousands)	Result of the income statement		Other items of the statement of comprehensive income	
	interest +10 bps	interest -10 bps	interest +10 bps	interest -10 bps
Variable-rate loans not hedged				
Effect of change in interest rate	(1,288)	1,288		
Variable-rate loans converted into fixed-rate loans by means of IRSs				
Effect of change in interest rate on the fair value of the hedge derivative contracts - effective portion of hedge			7,316	(7,181)
Impacts gross of the tax effect				
Tax effect	348	(348)	(1,975)	1,939
Impacts net of the tax effect	(940)	940	5,341	(5,242)

CREDIT RISK

Credit risk is the exposure to potential losses arising from counterparties failing to fulfil their obligations. Default or delayed payment of amounts owed may have a negative impact on the Italgas financial results and financial situation.

The rules for customer access to the gas distribution service in Italy are established by the relevant regulatory Authority and set out in the Network Codes, namely, in documents that establish, for each type of service, the rules regulating the rights and obligations of the parties involved in the process of providing said services and contain contractual conditions that reduce the risk of non-compliance by customers, such as the provision of bank or insurance guarantees on first request.

In addition to this, in order to manage credit risk, the Group has established procedures for monitoring and assessing its customer portfolio. The reference markets are the Italian and Greek markets.

In the activities of the energy efficiency sector, the credit risk is mitigated by the use of incentive tools (mainly Superbonus) - the latter however influenced by the risk of managing the obligations that allow the tax recognition of the credits - which guarantee the financial coverage of significant portions of the intervention amounts. In this context, the contracts stipulated by the Group include clauses that guarantee the possibility of taking action against customers in the event of impossibility of obtaining/withdrawing the incentive. The recovery from customers, however, implies the continuation of exposure to credit risk.

As at 31 December 2023 there were no significant credit risks. Note that on average: (i) in Italy, 98.6% of trade receivables relating to gas distribution are settled by the due date and more than 99.7% within the next 4 days; (ii) in Greece, an average of 94.9% of trade receivables relating to gas distribution are settled by the due date and almost all within the next 4 days, confirming the strong reliability of the customers.

It cannot be ruled out that Italgas could incur liabilities and/or losses due to its customers' failure to fulfil their payment obligations.

LIQUIDITY RISK

Liquidity risk is the risk that new financial resources may not be available (funding liquidity risk) or that the company may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment commitments. This may affect profit or loss should the company incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the company's future as a going concern.

Italgas does not foresee any significant negative impacts, taking the following into account: (i) the Company has cash deposited with primary credit institutions in the amount of € 250 million as at 31 December 2023, which, also in light of the investment plans in place and the operations planned in the short term, would allow it to manage, without significantly material effects, any restrictions on access to credit; (ii) Italgas has unused committed long-term credit lines for an amount equal to € 968 million; (iii) the bonds issued by Italgas as at 31 December 2023 as part of the Euro Medium Term Notes Programme do not require compliance with covenants relating to the data in the financial statements; (iv) on 1 February 2024, Italgas successfully completed the launch of a bond issue maturing on 8 February 2029, with a fixed rate and for a total amount of € 650 million, an annual coupon of 3.125%.

Italgas aims, in financial terms, at establishing a financial structure that, in line with its business objectives, ensures a level adequate for the group in terms of the duration and composition of the debt. The achievement of this financial structure will take place through the monitoring of certain key parameters, such as the ratio between debt and the RAB, the ratio between short-term and medium-/long-term debt, the ratio between fixed rate and floating rate debt and the ratio between bank credit granted and bank credit used.

RATING RISK

On 20 November 2023, Fitch Ratings (Fitch) confirmed the long-term credit rating of Italgas, as BBB+ with Stable outlook.

On 21 November 2023, the rating agency Moody's Investors service (Moody's) confirmed the long-term credit rating of Italgas as Baa2, revising the outlook from negative to stable. The rating action followed Moody's change of outlook from negative to stable for the Italian government's Baa3 debt rating on 17 November.

Based on the methodologies adopted by the rating agencies, the downgrade of one notch in the Italian Republic's current rating could trigger a downward adjustment in Italgas' current rating, which in turn could have an impact on the cost of future debt.

DEBT COVENANT AND DEFAULT RISK

As at 31 December 2023 there are no loan agreements containing financial covenants and / or secured by collateral, with the exception of the EIB loan signed by Toscana Energia which provides for compliance with certain financial covenant¹⁴. Some of these contracts provide, inter alia, for the following: (i) negative pledge undertakings, pursuant to which Italgas and the subsidiaries are subject to limitations regarding the creation of real rights of guarantee or other restrictions concerning all or part of the respective assets, shares or goods; (ii) pari passu and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out. As at 31 December 2023, these commitments were respected.

The bonds issued by Italgas as at 31 December 2023 as part of the Euro Medium Term Notes programme provide for compliance with covenant that reflect international market practices regarding, inter alia, negative pledge and pari passu clauses.

Failure to comply with the commitments established for these loans - in some cases only when this non-compliance is not remedied within a set time period - and the occurrence of other events, such as cross-default events, some of which are subject to specific threshold values, may result in Italgas' failure to comply and could trigger the early repayment of the relative loan.

¹⁴ The contracts contain a clause whereby, in the event of a significant reduction in EBITDA resulting from the loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required. The economic and financial parameters as at 31 December 2023 have been respected.

With reference to the EIB, the relative contracts contain a clause whereby, in the event of a significant loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required.

The Group monitors these cases closely in the context of financial management and business performance.

Future payments for financial liabilities

The table below shows the repayment plan contractually established in relation to the financial payables, including interest payments not discounted:

(€ thousands)	Balance as at 31.12.2022	Balance as at 31.12.2023	Portion with due date within 12 months	Portion with due date beyond 12 months	Due date 2025	Due date 2026	Due date 2027	Due date 2028	Due date Beyond
Financial liabilities									
Bank loans	1,741,660	1,144,298	75,274	1,069,024	316,604	77,949	78,699	78,698	517,074
Bonds	4,728,517	5,198,307	426,392	4,771,915	498,438		747,237	495,437	3,030,803
Short-term liabilities	3,125	498,656	498,656	-					
Interest on loans			108,915	139,920	26,710	20,770	18,871	17,003	56,566
Liabilities Right of Use	72,048	79,095	33,112	45,983	18,662	12,115	7,505	4,740	2,961
Interest Right of Use			1,132	754	333	215	118	60	28
	6,545,350	6,920,356	1,143,481	6,027,596	860,747	111,049	852,430	595,938	3,607,432

With reference to the payment times with regard to trade and other payables, refer to the note "Short-term and long-term liabilities" in the consolidated financial statements.

As for the sensitivity on the interest rate, any changes in interest rates do not lead to significant effects in consideration of the fact that 91.9% of the Group's financial debt is at fixed rate.

Please refer to note "Trade and other receivables" for the breakdown of receivable by due date bracket.

MARKET VALUE OF FINANCIAL INSTRUMENTS

Below is the classification of financial assets and liabilities measured at fair value in the Statement of Financial Position in accordance with the fair value hierarchy defined on the basis of the significance of the inputs used in the measurement process. More specifically, in accordance with the characteristics of the inputs used for measurement, the fair value hierarchy comprises the following levels:

- level 1: listed prices (unadjusted) on active markets for identical financial assets or liabilities;
- level 2: measurements made on the basis of inputs differing from the quoted prices referred to in the previous point, which, for the assets/liabilities submitted for measurement, are directly (prices) or indirectly (price derivatives) observable;
- level 3: inputs not based on observable market data.

In connection with the above, classification of the assets and liabilities measured at fair value in the Statement of Financial Position according to fair value concerned the IRS and exchange rate derivative instruments classified level 2 and recorded under the note "Other current and non-current financial assets" and "Other current and non-current financial liabilities".

Equity investments measured at fair value with effects posted to the income statement and on OCI fall under fair value category level 3.

OTHER INFORMATION ON FINANCIAL INSTRUMENTS

With reference to the categories established by IFRS 9 "Financial instruments", the book value of financial instruments and their relative effects on results and on equity can be analysed as follows:

(€ thousands)	Book value		Income / expense recognised to income statement		Income / expense recognised to shareholders' equity (a)	
	Balance as at 31.12.2022	Balance as at 31.12.2023	Balance as at 31.12.2022	Balance as at 31.12.2023	Balance as at 31.12.2022	Balance as at 31.12.2023
Financial instruments measured at amortised cost						
- Cash	451,946	249,963				
- Current financial assets	5,770	4,248				
- Trade and other receivables	1,142,950	853,488				
- Non-current financial assets	39,426	13,708				
- Other current and non-current non-financial assets	234,350	569,933				
- Trade and other payables	1,231,867	829,862				
- Financial payables (b)	6,510,600	6,920,356	(59,570)	(94,289)		
- Other current and non-current non-financial liabilities	552,127	545,277				
- Financial instruments measured at fair value						
- Other investments	18,961	21,207			609	(371)
- Financial assets (liabilities) for hedge derivative contracts	52,573	31,802			51,524	30,483

(a) Net of tax effect

(b) The effects on the income statement are recognized under the item „Financial income/(charges)“

The table below provides a comparison between the book value of financial assets and liabilities and their respective fair value.

(€ thousands)	Balance as at 31.12.2022		Balance as at 31.12.2023	
	Book value	Market value	Book value	Market value
Financial instruments measured at amortised cost				
- Long-term financial debt	6,317,686	5,568,986	5,934,309	5,497,477

The book value of trade receivables, other receivables and financial payables is close to the related fair value measurement, given the short period of time between when the receivable or the financial payable arises and its due date.

DISPUTES AND OTHER MEASURES

Italgas is involved in civil, administrative and criminal cases and legal actions related to its normal business activities. According to the information currently available and considering the existing risks, Italgas believes that these proceedings and actions will not have material adverse effects on its consolidated financial statements.

Below is a summary of the most significant proceedings; no provisions have been made pursuant to IAS 37 for these proceedings in the financial statements, as the company deems that the risk of an adverse outcome is possible, but not likely, or the amount of the allocation cannot be reliably estimate.

Civil dispute

Italgas Reti S.p.A. / Municipality of Rome – Rome Civil Court

The Municipality of Rome, where Italgas Reti carries out the service of gas distribution on the basis of a specific Service Contract, after a series of discussions aiming at reaching an agreement for the adjustment of timetable for the implementation of the Business plan, charged Italgas Reti, arbitrarily, with alleged delays in the execution of the Plan itself. In rejecting the claims of the Municipality of Rome, Italgas Reti had already filed an appeal with the Lazio Regional Administrative Court on 11 January 2019 for cancellation of the notice with which the Municipality of Rome had starting the procedure to apply default penalties. Subsequently, the Municipality of Rome notified Italgas Reti of a Managerial Resolution in which it quantified the amount allegedly owed by Italgas Reti by way of penalties for the alleged failure to timely implement the Business Plan at € 91,853,392.79, and reserved the right to enforce the bank guarantee issued to guarantee the proper performance of the aforesaid Contract. Italgas appealed to the Regional Administrative Court of Lazio against the above-mentioned Managerial Resolution, submitting a precautionary petition for the suspension of the measure's effectiveness, contesting, in brief, the nullity of the penalty clause due to vagueness. The Board, however, expressed some doubts as to the applicability of its jurisdiction.

In light of these circumstances, the lodging of an appeal before the Court of Cassation was proposed for the prior settlement of jurisdiction. The Court of Cassation declared the Jurisdiction of the Ordinary Court. Therefore, on 11 February 2021, Italgas resumed the proceedings before the Civil Court of Rome.

During the chamber proceedings of 22 April 2020, the Regional Administrative Court with Order no. 4140/2020 acknowledged the proposal for prior settlement of jurisdiction and suspended the proceedings and, considering itself to be without jurisdiction, declared the precautionary application inadmissible. On 13 May 2020, Italgas Reti challenged this order before the Council of State, which upheld the precautionary appeal filed by Italgas Reti, suspending the effectiveness of the first instance order until the definition of the merits.

On 5 June 2020, Italgas lodged an appeal with the Regional Administrative Court of Lazio, by which it requested that the Municipality of Rome be ordered to pay Italgas Reti compensation of the total amount of € 106,290,396.25 resulting from the failure of the Municipality of Rome to comply with the concession contract. Subsequently, consistent with the previous judgement, the Regional Administrative Court declared the jurisdiction of the Ordinary Court and Italgas Reti resumed the judgement before the Ordinary Court of Rome, asking for a joining with the judgement concerning the penalties applied by Municipality of Rome. The evidentiary hearing for both court cases, which have been combined, has been set for 11 July 2023. Following the hearing, the Judge ordered an Expert's Report to be carried out during 2024, with an adjournment to 18 December 2024 for the clarification of conclusions.

At the same time, Italgas Reti obtained an order from the Court of Rome suspending the effects of the measure quantifying the penalties and preventing Roma Capitale from enforcing the surety given in relation to the penalty payment claims.

Also on the basis of an external legal opinion, the Company, at present, does not believe it likely it will lose.

Municipality of Venice / Italgas Reti S.p.A. – Court of Venice

On 24 April 2019, the Municipality of Venice served, at the Court of Venice, a writ of summons, aimed at the verification and consequent payment of € 59,006,552.03 as a consideration for use of the portion of the network subject to free acquisition for the period 1/6/2010-31/12/2018 as well as the sums due for the same reason for the period after 31/12/2018 and up until the judgement. Italgas Reti contested the quantification of the fee and requested the restitution of the amount unduly paid to the Municipality following the free transfer of Block A. Having carried out the introductory procedural steps, by order dated 26 April 2021, the Judge ordered Italgas Reti to produce relevant documentation and consequently set the hearing for 31 May 2022 for the examination of the documentation. On 31 May 2022, the Municipality requested that Italgas Reti be ordered to supplement the documentation produced. For its part, Italgas Reti opposed the request for supplementation formulated by the Municipality and requested, principally, the postponement of the case for the clarification of the conclusions or, alternatively, the granting

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of a time limit to possibly counter-respond. At the outcome of the hearing, the Judge requested additional documentation and adjourned the hearing to 17 January 2023. On that date, the Municipality insisted on the admission of a technical expert's report, while Italgas Reti requested that the hearing for clarification of the conclusions be postponed. At present, the Judge ruled to order an Expert's Report for the appointment of the Expert.

Supported by a technical and economic appraisal issued by an expert and on the basis of an external legal opinion, the Company does not believe it likely it will lose.

Municipality of Cavallino Treporti / Italgas Reti S.p.A. – Court of Venice

By decision dated 25 June 2022, the Court of Venice, notwithstanding the acknowledgement of the right of ownership of the plants in block A in favour of the Municipality of Cavallino Treporti with effect from the date of expiry pursuant to the concession (1 January 2013), ordered the Municipality of Cavallino Treporti to pay Italgas € 37,313.69 plus interest for the COSAP unduly paid by Italgas for the period between 1 January 2013 and 31 December 2018 and € 40,000 for legal expenses. The Municipality of Cavallino-Treporti notified an appeal against the ruling. On 24 January 2023, the first hearing was held: the Judge dismissed the application to suspend the enforceability of the ruling and ordered a postponement for the clarification of the conclusions. The ruling is currently pending.

Supported by an external legal opinion, the Company does not, at present, believe it likely it will lose.

Publiservizi S.p.A. / Italgas S.p.A. – Florence Court

Publiservizi, on its own behalf and as agent of other municipalities that are shareholders of Toscana Energia, served Italgas S.p.A. with a writ of summons in which they alleged a breach of a Shareholders' Agreement entered into on 28 June 2018. Publiservizi, therefore, claims that Italgas should be ordered to purchase 3% of the share capital of Toscana Energia S.p.A. (for the price of € 70,000,000.00 indicated in the tender notice of 20 July 2018) or, in any case, to fulfil the aforementioned Shareholders' Agreement and, otherwise, to pay Publiservizi € 59,800,000.00 by way of compensation for damages for breach or, alternatively, by way of unjust enrichment. Following the exchange of introductory documents, by order of 30 April 2021, the Judge ruled that the case could be settled at that stage and therefore scheduled the hearing for specification of the pleadings for 13 September 2023. The ruling is currently pending.

Supported by an external legal opinion, the Company does not, at present, believe it likely it will lose.

Criminal dispute

The main criminal disputes in which the Group is involved are set out below.

Italgas Reti S.p.A. – Rome/Via Parlatore Event

The Public Prosecutor's Office of Rome opened an investigation in relation to the event that took place on 7 September 2015 during an ordinary intervention in the gas distribution network in the Municipality of Rome.

The incident resulted in a fire involving three people: two workers from an Italgas Reti contractor were slightly injured while the third person – an employee of Italgas Reti – died.

Preliminary investigations involved three Italgas Reti employees. The Public Prosecutor's Office asked for all defendants to be dismissed, but the Judge for Preliminary Investigations ordered further investigations, following which the Public Prosecutor again asked for all defendants to be dismissed.

On 17 November 2020, the Judge for Preliminary Investigations, also rejecting the second request for dismissal, ordered the Public Prosecutor's Office to formulate the charges against the three Italgas Reti defendants without formulating findings of liability against Italgas Reti pursuant to Legislative Decree no. 231/2001. At present, the first instance trial is ongoing. The family members of the deceased employee appeared as civil claimants, while the two employees of the contractor who sustained injuries have withdrawn their participation as a result of the award of damages.

Italgas Reti S.p.A. – Cerro Maggiore/Via Risorgimento Event

The public prosecutor opened criminal proceedings against several Italgas Reti executives, technicians and manual workers in relation to an incident that took place on 11 November 2015 during an emergency intervention. The accident was caused by a gas leak due to drilling work for laying fibre optic cable carried out by a third-party company, whose employees were also investigated.

The explosion resulted in the collapse of a house and the death of the lady who lived there, a serious injury to an Italgas Reti employee and to two other people who suffered mild injuries.

On 24 April 2017, a notice of conclusion of preliminary investigations was served on the defendants and Italgas Reti for failure to adopt appropriate preventive measures in terms of safety at work pursuant to Legislative Decree no. 231/2001.

The position of one employee of Italgas Reti (employer), was subsequently terminated, while for the other employees an indictment request was submitted.

In the course of the preliminary hearing, it was acknowledged that damages had been awarded to the heirs of the deceased lady and the other injured persons, who therefore waived their right to bring civil proceedings. The Municipality of Cerro Maggiore was allowed to initiate civil proceedings.

At the outcome of the preliminary hearing, on 19 March 2019, the Preliminary Hearing Judge (i) pronounced a verdict of non-suit against two Italgas Reti employees for not having committed the act; (ii) issued a judgement of conviction against certain employees of the third-party contractor for the laying of the fibre optics who had requested the abbreviated trial; and (iii) ordered the committal for trial of Italgas Reti and three of its employees, in addition to the other defendants of the third-party contractor for the laying of the fibre optics.

At the outcome of the trial, the Public Prosecutor requested the acquittal of an Italgas Reti employee and two defendants from the contractor company, while for the other two Italgas Reti employees he asked for a two-year prison sentence, with suspended sentences. For Italgas Reti, the Prosecutor asked for the application of a minimum fine, considering the small amount of the profit involved.

In a ruling of 4 June 2021, the Judge acquitted two Italgas Reti employees and sentenced the other to one year and six months' imprisonment with suspended and unremitted sentence. A minimum fine was imposed on Italgas Reti.

Italgas Reti and the convicted employee appealed against the sentence, while the Public Prosecutor appealed the acquittal of the other employee. At the hearing held before the Milan Court of Appeal on 20 February 2024, the Public Prosecutor requested the acquittal for both Italgas Reti employees and the confirmation of the conviction for the Company. The hearing was postponed to 11 April 2024.

Other events

Italgas Reti S.p.A. – Ravanusa Event

The Public Prosecutor's Office of Agrigento opened an investigation into an explosion that occurred in the town of Ravanusa on 11 December 2021.

The cathodically protected coated low pressure steel pipe, measuring 100 mm in diameter, was laid in 1988 by Siciliana Gas (a company merged by incorporation into Società Italiana per il gas S.p.A. in 2008, which in turn became Italgas Reti from 7 November 2016) and is therefore well within its useful life as per ARERA requirements.

There were no Italgas Reti construction sites on the section of pipeline affected by the explosion, either at the time of the accident or in the weeks preceding it.

The previous week, Italgas Reti had not received any reports of any type to its Emergency Intervention service, complaining of gas leaks.

The whole of the Ravanusa network - including that installed in the area involved by the event - had been checked using the cutting-edge Picarro Surveyor technology, and in 2020 and 2021 and no critical issues had arisen.

On 31 December 2021, the Public Prosecution issued ten notices of investigation to ten employees of Italgas Reti in order to be able to examine the unrepeatability technical assessments.

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Italgas Reti has acknowledged these provisions, guaranteeing maximum collaboration during activities in support of investigators, just as it has since the outset.

During these technical assessments, a breakage of a steel pipe installed along via Trilussa, was found. In addition, further laboratory investigations were carried out on odouring gas and soil samples taken near the site of the event in the days following the explosion and the presence of the odouring molecule was confirmed.

An extension of the preliminary investigation was requested and granted in July 2022, and a subsequent extension request for a further six months was notified in February 2023.

On 16 May 2023, the Public Prosecutor's Office requested the dismissal of the proceedings against all Italgas Reti's defendants, while it issued a notice of conclusion of the preliminary investigation pursuant to Article 415-bis of the Italian Code of Criminal Procedure against individuals of Siciliana Gas and the company that had laid the pipeline. Following the objection to the request to dismiss filed by the injured parties, hearings were held before the Court of Preliminary Investigations on 17 October, 5 December 2023 and 27 February 2024, with a further hearing set for 30 April 2024, at the outcome of which the Judge will decide whether or not to dismiss the proceedings.

At present there are no civil legal actions involved. During the preliminary hearing against the natural persons of Siciliana Gas and the company responsible for the installation, held on 26 March 2024, some civil parties appeared and requested the summons of Italgas Reti and Italgas S.p.A.; following the accident, a parking lot was promptly opened. as civil managers. Italgas Reti, in the context of the precautionary claim opened with the insurance companies with which the „civil liability“ and „property“ policies were stipulated, for an orderly management of requests for compensation within the civil liability policy towards third parties, became civilly liable, opposing the request to be summoned as civilly liable of Italgas S.p.A.. The Judge postponed the decision on 16 April 2024.

Italgas Reti has given its availability to the Municipality of Ravanusa to carry out a project to remove the rubble resulting from the explosion, completed in 2023.

INFORMATIVE PRIORITIES ESMA 2023

In continuity with the provisions of the 2021 and 2022 financial statements, also for the purpose of the preparation of the 2023 financial statements, the Regulators, with Public Statement no. 32-193237008-1793 of 27 October 2023 „European common enforcement priorities for 2023 annual financial reports“, issued specific recommendations in order to provide adequate financial and non-financial disclosures on the current Macroeconomic Scenario, characterised by a combination of factors related to the escalation of geopolitical tensions, linked to the continuation of the war in Ukraine and accentuated by the events in the Middle East, which continue to weigh on the global outlook, the tightening of monetary policy conditions, the general deterioration of the economic climate and uncertainties on future developments.

In addition, in 2023, ESMA published its annual overview report on the compliance of financial and non-financial information contained in the 2022 financial statements with respect to the required forecasts and requirements „2022 Corporate Reporting Enforcement and Regulatory Activities Report“, in which it reiterated the need for adequate transparency on the topics indicated as priorities for the 2023 financial statements.

Furthermore, specific subsections from this Integrated Annual Report in which the required information is already included are shown below.

International Tax Reform – Pillar Two Model Rules

Directive no. 2022/2523 – based on the “Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two)” paper issued by the OECD on 14 December 2021 – introduced an effective minimum taxation regime for national and multinational groups of 15% for each jurisdiction where they are located, providing for the application of an additional tax in cases where the effective tax rate by country, with the adjustments envisaged by the implementing rules, is lower than the minimum taxation of 15%. This regulation was adopted into Italian legislation with Legislative Decree no. 209 of 27 December 2023 (“Pillar II” or “global minimum tax”), with effect from the 2024 tax period.

On 23 May 2023, IASB published a document named “Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules” to clarify financial statement disclosure requirements. The document, whose adoption process by the EU was completed on 8 November 2023, (i) introduced a temporary, immediately applicable exception to the recognition and disclosure requirements for deferred tax assets and liabilities related to the Pillar Two Model Rules and (ii) provided, for annual financial statements beginning on (or after) 1 January 2023, specific disclosure requirements for entities affected by the relevant International Tax Reform.

In this regard, in 2023, the Italgas group took part in a project, coordinated by the parent company CDP with the support of a leading advisor, concerning: i) the mapping of relevant entities for the purposes of Pillar II; ii) the collection of the information required for the purposes of determining the Transitional Country-by-Country Safe Harbour; iii) the collection of relevant information for the purposes of calculating the GloBE Income and Adjusted Covered Taxes, required for the calculation of the minimum rate of 15%; iv) the preparation of the Gap Analysis. This activity was carried out with reference to the 2022 tax year. As a result of the work performed, no material impact on the consolidated financial statements of Group is expected.

Environmental regulations

With regard to environmental risk, although the Group conducts its business in compliance with laws and regulations, it cannot be ruled out with certainty that the Company may incur costs or liabilities, which could be significant.

It is difficult to foresee the repercussions of any environmental damage, partly due to new laws or regulations that may be introduced for environmental protection, the impact of any new technologies for environmental clean-ups, possible litigation and the difficulty in determining the possible consequences, also with respect to other parties’ liability and any possible insurance compensation.

The Group closely monitors the various risks and associated financial impacts (which at present could mainly concern matters of impairment and recoverability of the value of assets and provisions under IAS 37) that could ensue from environmental and climate change issues.

As described in the 2023 Annual Report, in recent years, Italgas’ corporate strategy has been increasingly influenced by climate change issues, and various initiatives have been developed to reduce GHG emissions (e.g. leakage detection using Picarro technology, conversion and renewal of the corporate fleet, initiatives to improve the efficiency of plants and buildings, study and implementation of initiatives to promote the distribution of green gas, such as repurposing for biomethane and the P2G project for green hydrogen, monthly monitoring of environmental performance and the implementation of related corrective actions, etc.).

The Group has also set targets to reduce GHG Scope 1 and 2 (market-based) emissions by 34% by 2028 and by 42% by 2030, Scope 3 (supply chain) emissions by 30% by 2028 and by 33% by 2030, and energy consumption by 27% by 2028 and by 33% by 2030 (2020 baseline); in addition to these targets, which cover the entire scope of operations (thus including all Italian and Greek consolidated companies), it is also worth mentioning the Group’s commitment to Net-Zero Carbon to 2050 for Scope 1, 2 (market-based) and 3.

Italgas’ strategy is outlined in the 2023–2029 Strategic Plan, which highlights the digital transformation and technological innovation that will enable Italgas to play a key role in the energy transition.

In the short term, the main elements influencing the development of the strategy are the regulatory aspects of climate change such as European policy objectives, while in the short-to-medium term, the main elements are the efficient procurement of natural gas, aimed at reducing its impacts on climate change.

As part of the Strategic Plan document, Italgas defines a macro-comprehensive scenario that includes frameworks and trends in energy and environmental policies (decarbonisation - Paris Agreement, Green Deal, RePowEU, renewables, energy efficiency, sustainable mobility, power to gas, green gas and water) and presents its Sustainable Value Creation Plan, which sets specific actions and ambitious targets for the creation of value for the Group’s stakeholders and for the territories in which it is present and operates.

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The Group's strategy is developed in line with the UN Sustainable Development Goals and, with regard to combating climate-changing emissions, also with the objectives of the European Green Deal and the „science-based“ scenario for limiting global warming to below „1.5°“.

Accounting of emission trading schemes and renewable energy certificates

With reference to the request to provide information on the accounting treatments used in the recognition, measurement and presentation of emission trading schemes and renewable energy certificates (including information on the main terms and nature of these schemes), we confirm that the Company is not subject to the obligation to purchase greenhouse gas emission rights.

Power purchase agreements

With reference to Power purchase agreements (PPAs), which concern agreements for the supply of renewable electricity between a producer – who owns the plant – and a purchaser (off-taker), it should be noted that the Company does not have this type of contract in place.

Topics related to climate change

Considering the requirements contained in the European Common Enforcement Priorities of October 2022 on climate-related matters, also confirmed as a priority in the 2023 Public Statement, the ESMA requires that adequate information be provided about climate-related matters and their effects on business development and performance, together with a description of the main risks and uncertainties to which the Italgas Group is exposed.

Also of note is the preparation of the report „Driving innovation for energy transition“ which examines the relationship between the Italgas Group's business and climate change impacts in line with the recommendations set by the Task Force on Climate-Related Financial Disclosure (TCFD).

The document not only describes the new opportunities identified in the climate transition and the potential risks, but also the adequacy of the climate strategy implemented by the Group in that regard.

For further details on the inclusion of climate risk in the Business Plan, its impact on sustainability objectives and the main significant risks and uncertainties, please refer to the chapters „Sustainability – the path to decarbonisation“ and „Risk and uncertainty factors“, „Strategy and forward-looking vision“, „Risk management“ and „Information on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)“ in the 2023 Integrated Annual Report.

Finally, set out below are the assessments associated with the main risks considered in the development of the estimates, which could result in a significant adjustment to the carrying value of assets and liabilities.

Impairment testing and expected useful life of tangible and intangible assets

With reference to the impact of climate risks in determining the expected useful life of tangible and intangible fixed assets and their estimated residual value, there are no (i) indicators suggesting that assets have reduced in value, (ii) significant impacts of climate change on the Group's assumptions used in estimating their recoverable value and (iii) there is no need to perform sensitivity analyses of the effects of climate risk within the assumptions made.

At present, therefore, company management does not reasonably expect climate change to have a significant impact on forecast future cash flows of a given asset or cash generating unit (CGU) and, consequently, on the relevant recoverable value value.

Effects of the climate risk on measuring expected credit loss

No significant climate and environmental risks are noted worthy of consideration in assessing the credit risk and therefore worthy of inclusion in calculating the ECL (Expected Credit Loss), as required by IFRS 7.

IAS 37 – Provisions for risks and potential liabilities

In accordance with IAS 37, the company management does not believe that there are any provisions for risks or potential liabilities requiring consideration in the financial statements in connection with possible disputes, specific regulatory requirements aimed at mitigating environmental damages, sanctions connected with failure to comply with environmental requirements, contracts that may become onerous, possible restructuring works aimed at achieving the climate objectives required.

Risks associated with the macroeconomic scenario

With reference to the risks related to the conflicts taking place around the world, Italgas confirms that it does not have any production activities or personnel located in the affected areas (Russia/Ukraine, Middle East) nor does it have any commercial and/or financial relations with those countries. Italgas continues to see no materially significant restrictions to the execution of financial transactions or sources of supply. Nevertheless, in a market that continues to be characterised by restrictions and slowdowns, especially in relation to the purchase of components, we cannot rule out that the political and economic tension induced by the conflicts may increase such difficulties and have implications, in a way that cannot yet be estimated or predicted, on the effectiveness and timeliness of the Group's procurement capacity.

In light of the above, no significant impacts are reported in the following areas:

- Business Continuity;
- Impairment test of non-financial assets;
- Impairment of financial assets;
- Impacts on governance exercised over affiliated companies;
- Assets or groups of assets held for sale;
- Recognition of deferred tax assets;
- Fair value measurement;
- Remeasurement of foreign currency transactions and translation of financial statements in foreign currencies;
- Provisions for contingent liabilities;
- Liabilities arising from insurance contracts.

PUBLIC FUNDS RECEIVED

With reference to the new rules introduced by Law no. 124 of 4 August 2017 "Annual competition law", under Article 1, paragraphs 125-129, please note that the following grants from public authorities relating to the construction of gas networks in Italy were collected in 2023.

Beneficiary	Grantor			Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
ITALGAS RETI S.P.A.	MORRO D'ORO	81000370676	00516370673	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	14,421.08
ITALGAS RETI S.P.A.	MELITO DI PORTO SALVO	00281270801	00281270801	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	169,849.82
ITALGAS RETI S.P.A.	BELVEDERE MARITTIMO	00346830789	00346830789	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	484,346.54
TOSCANA ENERGIA S.P.A.	BAGNO A RIPOLI	01329130486	01329130486	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	6,998.18
TOSCANA ENERGIA S.P.A.	MONSUMMANO TERME	81004760476	00363790478	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	20,532.89
TOSCANA ENERGIA S.P.A.	PONSACCO	00141490508	00141490508	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	10,300.00
TOSCANA ENERGIA S.P.A.	VINCI	82003210489	01916730482	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	1,425.00
TOSCANA ENERGIA S.P.A.	CASTIGLIONE DELLA PESCAIA	00117100537	05400000724	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	3,369.00
MEDEA S.P.A.	UNIONE DEI COMUNI BASSO	002821190929	02821190929	Plant account grants - Del. 54/28 22.11.2005 Art. 5 of autonomous region of Sardinia	2,299,397.99
TOTAL					3,010,640.50

26. REVENUES

The breakdown of revenues for the year, which totalled € 2,638,841 thousand as at 31 December 2023 (€ 2,312,476 thousand as at 31 December 2022) is shown in the following table.

(€ thousands)	2022	2023
Revenues	2,182,712	2,564,193
Other revenues and income	129,764	74,648
	2,312,476	2,638,841

Group revenues are earned in Italy and Greece, as described below.

An analysis of revenue by business segment is provided in Note 33 "Information by business segment".

Revenues from related parties are described in Note 35 "Related party transactions".

Revenues

Revenues, which amount to € 2,564,193 thousand (€ 2,182,712 thousand as at 31 December 2022), are analysed in the table below:

(€ thousands)	2022	2023
Gas distribution	1,228,314	1,422,281
Revenues for infrastructure construction and improvements (IFRIC 12)	727,755	787,136
Technical assistance, engineering, IT and various services	50,514	47,199
Energy efficiency interventions	138,973	281,866
Water distribution and sale	8,867	8,435
Gas sales	12,924	1,748
Other ESCo revenues	13,956	13,499
Sale of other products	1,409	2,029
	2,182,712	2,564,193

Revenues refer primarily to the consideration for the natural gas distribution service and other regulated revenues (€ 1,422,281 thousand) and revenues deriving from the construction and upgrading of gas and water distribution infrastructure connected with concession agreements pursuant to IFRIC 12 (€ 787,136 thousand).

Revenues from natural gas distribution correspond to the regulatory revenues allowed and therefore contain the positive differential that was generated during the year against the turnover for € 225,259 thousand.

Gas distribution revenues in Italy are reported net of the following items, involving tariff components in addition to the tariff applied to cover gas system expenses of a general nature. The amounts in question are paid, where positive, charged, where negative, for an equal amount, to the CSEA.

(€ thousands)	2022	2023
RE-RS-UG1 fees	4,055	9,022
UG3 fees	(1,096)	(2)
Gas Bonus and GS fees	(575,977)	(292,661)
UG2 fees	(636,821)	(727,529)
	(1,209,839)	(1,011,170)

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The fees in addition to the distribution service (€ -1,011,170 thousand) mainly relate to the following fees: (i) RE, to cover the expenses burdening the Fund for calculating and implementing energy savings and the development of renewable energy sources in the gas sector; (ii) RS, to cover expenses burdening the Account for gas services quality; (iii) UG1, to cover any imbalances in and adjustments to the equalisation system; (iv) UG2, to cover the costs of retail sales marketing; (v) UG3int, to cover expenses connected to the interruption of services; (vi) UG3ui, to cover expenses connected to any imbalances in specific equalisation mechanism balances for the Default Distribution Service Provider (FDD) as well as the expenses for payment delays incurred by Suppliers of Last Instance (FUI), limited to end customers for which the supply cannot be suspended; (vii) UG3ft, to cover the arrears paid to temporary providers on the transport system; (viii) GS, to cover the tariff compensation system for economically disadvantaged customers.

Gas distribution revenue (€ 1,422,281 thousand) refers to natural gas distribution on behalf of all commercial operators requesting access to the networks of the distribution companies based on the Network Code. These revenues include the effects arising from the implementation of Resolution no. 737/2022/R/gas in terms of recognition of the residual value of smart meters of a class not exceeding G6 produced up to the year 2016 and commissioned by the year 2018 (€ 52.3 million), the higher revenues associated with the contribution pursuant to Article 57 of ARERA Resolution no. 570/2019/R/gas relating to the replacement of traditional meters with electronic smart meters and the recovery of non-depreciation (so-called IRMA) pursuant to Consultation Document 545/2020/R/gas, Resolution no. 570/2019/R/gas, Resolution no. 287/2021 and Determination no. 3/2021.

Revenues deriving from energy efficiency interventions (€ 281,866 thousand) mainly relate to work carried out during the year, generally referred to as "superbonus", as envisaged by the "Relaunch Decree" (Decree Law 34/2020), which introduced the "Superbonus 110", an incentive to access the tax bonus for work carried out on houses to improve energy efficiency and/or the "sismabonus" that makes it possible to receive 110% of the expense generated and admissible in 4 years.

Revenues from the sale of water (€ 8,435 thousand) relate to the water distributed in Campania.

Other revenues and income

Other revenues and income, which amounted to € 74,648 thousand, can be broken down as follows:

(€ thousands)	2022	2023
Income from gas distribution service safety recovery incentives	27,207	27,179
Plant safety assessment pursuant to ARERA Resolution no. 40/04	2,139	1,778
Capital gains from sale of assets	36,709	1,210
Sundry management refunds and chargebacks	3,952	2,509
Contractual penalties receivable	1,340	885
Revenues from regulated activities	10,077	8,472
Connection contribution uses	19,233	19,184
Income from real estate investments	200	230
Revenues from seconded personnel	578	357
Other revenues	28,329	12,844
	129,764	74,648

Income from safety recovery incentives, equal to € 27,179 thousand, relates to refunds paid by the Authority connected to achieving quality and technical standards relating to the natural gas distribution service.

Refunds and operating charge-backs include € 2,509 thousand of reimbursements from suppliers related to faulty meters under warranty.

Revenues from capital gains on the sale of assets amounted to € 1,210 thousand as at 31 December 2023, mainly refer to the sale of regulated assets to the affiliate Energie Rete Gas.

27. OPERATING COSTS

The breakdown of operating costs for the period, which totalled € 1,412,036 thousand, is shown in the following table:

(€ thousands)	2022	2023
Purchase costs for raw materials, consumables, supplies and goods	154,746	195,869
Costs for services	656,231	794,466
Costs for the use of third-party assets	102,319	89,133
Personnel cost	265,466	279,587
Allocations to/(releases from) provision for risks and charges	(1,797)	1,118
Allocations to/(releases from) provisions for doubtful debt	(342)	124
Other expenses	25,440	56,599
To be deducted:		
Increases for own work	(10,111)	(4,860)
- of which costs for services	(2,137)	(2,073)
- of which labour costs	(7,974)	(2,787)
	1,191,952	1,412,036

Operating costs relating to the construction and upgrading of gas distribution and water service infrastructure connected with concession agreements pursuant to what is set forth in IFRIC 12, amount to € 787,136 thousand and are broken down as follows:

(€ thousands)	2022	2023
Purchase costs for raw materials, consumables, supplies and goods	111,220	159,872
<i>of which external</i>	37,570	46,190
<i>of which internal</i>	73,650	113,682
Costs for services	483,477	501,283
<i>of which external</i>	412,984	423,360
<i>of which internal</i>	70,493	77,923
Costs for the use of third-party assets	24,988	10,172
<i>of which external</i>	24,988	10,172
Personnel cost	104,737	113,673
<i>of which internal</i>	104,737	113,673
Other expenses	3,333	2,136
<i>of which external</i>	3,333	2,136
	727,755	787,136

Costs for raw materials, consumables, supplies and goods, amounting to € 195,870 thousand (154,746 as at 31 December 2022), comprise the following:

(€ thousands)	2022	2023
Inventories	120,178	182,473
Purchase of gas	24,238	3,307
Purchase of water	2,534	2,720
Motive power	2,267	1,279
Purchase of fuel	4,596	4,697
Consumables	933	1,394
	154,746	195,870

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Inventories refer in particular to the acquisition of meters and gas pipes.

Purchase costs for raw materials, consumables, supplies and goods include costs relating to the construction and upgrading of gas distribution and water service infrastructure of € 159,872 thousand (€ 111,220 thousand as at 31 December 2022) recorded in accordance with IFRIC 12.

Costs for services of € 792,394 thousand relate to:

(€ thousands)	2022	2023
Project management and plant maintenance	512,015	620,170
Consultancy and professional services	69,219	70,181
Costs for personnel services	15,011	18,803
IT and telecommunications services	38,010	47,737
Electricity, water and other (utility) services	7,208	6,474
Insurance	6,125	6,849
Cleaning, security service and guard services	4,745	4,095
Advertising and entertainment	4,462	5,060
Costs for seconded personnel	494	1,510
Other services	21,342	38,864
Use of risk provision	(22,400)	(25,276)
	656,231	794,467
<i>To be deducted:</i>		
Increases for own work	(2,137)	(2,073)
	654,094	792,394

Costs for services include costs relating to the construction and upgrading of gas distribution and water distribution infrastructure amounting to € 501,283 thousand (€ 483,477 thousand as at 31 December 2022) recognised pursuant to IFRIC 12.

Costs for project management and plant maintenance planning (€ 620,170 thousand) essentially relate to the extension and maintenance of gas distribution plants, as well as work carried out on buildings for energy efficiency purposes.

Costs for the use of third-party assets, of € 89,132 thousand, regard:

(€ thousands)	2022	2023
Patent, license and concession fees	77,309	78,221
Leases and rentals	25,282	10,934
Use of risk and charges provision	(272)	(23)
	102,319	89,132

Fees, patents and licences (€ 78,221 thousand) refer primarily to fees recognised to contracting parties for the running of natural gas distribution activities under concession.

Costs for use of third-party assets include costs relating to the construction and upgrading of gas distribution infrastructure amounting to € 10,172 thousand (€ 24,988 thousand as at 31 December 2022) recognised in accordance with IFRIC 12.

Personnel cost, totalling € 276,800 thousand, breaks down as follows:

(€ thousands)	2022	2023
Wages and salaries	186,491	198,722
Social charges	53,996	57,854
Employee benefits	19,634	17,982
Other expenses	5,345	5,029
	265,466	279,587
<i>To be deducted:</i>		
Increases for own work	(7,974)	(2,787)
	257,492	276,800

The item includes costs relating to the construction and upgrading of gas distribution infrastructure amounting to € 113,673 thousand (€ 104,737 thousand as at 31 December 2022) recognised pursuant to IFRIC 12.

Employee benefits (€ 17,982 million) mainly regard the employee severance pay accrued, to be paid to pension funds or to INPS.

Other expenses of € 5,029 thousand, in particular refer to charges for the incentive plan for senior executives (co-investment plan). For Stock Grant plans for Company employees, the fair value of the option, determined at the time it is granted (calculated on the basis of the "Black-Scholes" economic and actuarial method) is posted to the income statement as a cost throughout the vesting period, with a corresponding balancing item in a reserve under shareholders' equity.

More details are provided in the "Provisions for employee benefits" note.

Average number of employees

The average number of payroll employees of the consolidated entities, broken down by status, is as follows:

Professional qualification	2022	2023
Executives	74	75
Middle Managers	378	381
Employees	2,488	2,471
Manual workers	1,457	1,329
	4,397	4,256

The average number of employees is calculated on the basis of the monthly number of employees for each category.

At 31 December 2023, there were 4,390 employees on average.

Remuneration due to key management personnel

The remuneration due to persons with powers and responsibilities for the planning, management and control of the Company, i.e. executive and non-executive directors, general managers and managers with strategic responsibilities ("key management personnel"), in office at 31 December 2023, amounted to € 10,144 thousand and breaks down as follows:

(€ thousands)	2022	2023
Wages and salaries	7,893	7,979
Post-employment benefits	725	759
Other long-term benefits	1,442	1,406
Compensation for termination of employment	650	
	10,710	10,144

Remuneration due to Directors and Statutory Auditors

Remuneration due to Directors, except for the Chairperson and the CEO who form part of the key management personnel as explained in the foregoing paragraph, amounted to € 2,175 thousand and remuneration due to Statutory Auditors amounted to € 632 thousand (Article 2427, no. 16 of the Italian Civil Code). This remuneration includes emoluments and any other amounts relating to pay, pensions and healthcare due for the performance of duties as a director or statutory auditor giving rise to a cost for the Company, even if not subject to personal income taxes).

Allocations to/releases from provision for risks and charges, amounting amounting to € 1,118 thousand net of utilisations, refer mainly to the provision for risks and charges relative to meters.

For more details on the changes in provisions for risks and charges, please refer to the note "Provisions for risks and charges".

Other expenses, of € 56,600 thousand, are analysed below:

(€ thousands)	2022	2023
Other penalties	1,839	3,069
Indirect taxes, local taxes	8,201	6,625
Capital losses from disposal/recovery of property, plant and equipment and intangible assets	11,377	40,302
Other expenses	4,023	6,604
	25,440	56,600

The capital losses from the disposal/recovery of fixed assets (€ 40,302 thousand) mainly relate to the replacement of meters, pipes and connections.

Capital losses related to meters are partially offset in other items of the income statement (ARERA contribution pursuant to Resolution 737/2022/R/gas, utilisation of the provision for risks related to the repair of faulty meters and other income related to refunds from suppliers for faulty meters).

28. AMORTISATION, DEPRECIATION AND IMPAIRMENT

Amortisation, depreciation and impairment, totalling € 545,546 thousand, breaks down as follows:

(€ thousands)	2022	2023
Amortisation and depreciation	478,291	522,530
- Property, plant and equipment	17,335	17,719
- Right of use pursuant to IFRS 16	24,625	29,691
- Intangible assets	436,331	475,120
Impairment	895	23,016
- Impairment of intangible assets	895	23,016
	479,186	545,546

Impairment of intangible assets, of € 23,016 thousand (€ -895 thousand in 2022), mainly relates to faulty smart gas meters.

29. FINANCIAL INCOME (EXPENSE)

Net financial expense, amounting to € 98,229 thousand, comprises:

(€ thousands)	2022	2023
Financial Income (Expense)	(59,399)	(94,289)
Financial expense	(59,570)	(100,009)
Financial income	171	5,720
Other financial income (expense)	2,075	(3,863)
Other financial expenses	(1,797)	(3,633)
Other financial income	3,872	(230)
Derivative financial instruments	1,049	(77)
	(56,275)	(98,229)

Below is the breakdown of financial charges, financial income and other financial income and charges:

(€ thousands)	2022	2023
Financial Income (Expense)	(59,400)	(94,289)
Borrowing costs:	(59,571)	(100,009)
- Interest expense on bonds	(49,078)	(70,312)
- Commission expense on bank loans and credit lines	(6,016)	(8,860)
- Interest expense on credit line and loan expense due to banks and other lenders	(4,477)	(20,837)
Financial expense capitalised	171	5,720
- Interest income and other income on financial receivables non-held for operations	171	5,720
Other financial income (expense):	2,076	(3,863)
- Capitalised financial expense	1,565	1,424
- Financial income (expense) connected with the passing of time (accretion discount) (*)	(1,618)	(3,590)
- Expense for right of use pursuant to IFRS 16	(321)	(1,132)
- Other expenses	(1,422)	(334)
- Other income	3,872	(231)

(*) The item relates to the increase in the provisions for risks and charges and provisions for employee benefit funds that are specified, at a discounted value, in the notes "Provisions for risks and charges" and "Provisions for employee benefits".

30. INCOME (EXPENSE) FROM EQUITY INVESTMENTS

Income (expense) from equity investments, totalling € 3,068 thousand, breaks down as follows:

(€ thousands)	2022	2023
Effect of valuation using the equity method	662	1,652
Net income from valuation using the equity method	662	1,652
Other income (expense) from equity investments	2,770	1,416
Dividends	48	25
Other income from equity investments	2,722	1,391
	3,432	3,068

Details of capital gains and capital losses from the valuation of equity investments using the equity method can be found in the note "Equity investments valued using the equity method".

31. INCOME TAXES

Income taxes for the year, amounting to € 118,626 thousand (€ 152,369 thousand as at 31 December 2022) comprise:

(€ thousands)				2022
	IRES	IRAP	FOREIGN	Total
Current taxes	137,190	27,111	(3,524)	160,777
Current taxes for the year	138,800	26,973	(3,524)	162,249
Adjustments for current taxes pertaining to previous years	(1,610)	138	-	(1,472)
Deferred and prepaid taxes	(16,099)	291	7,400	(8,408)
Deferred taxes	(19,903)	(2,952)	9,006	(13,849)
Prepaid taxes	(3,804)	(3,243)	1,606	(5,441)
	121,091	27,402	3,876	152,369

(€ thousands)				2023
	IRES	IRAP	FOREIGN	Total
Current taxes	123,374	23,902	5,309	152,585
Current taxes for the year	116,550	22,549	5,309	144,408
Adjustments for current taxes pertaining to previous years	6,824	1,353	-	8,177
Deferred and prepaid taxes	(40,048)	(2,332)	8,421	(33,959)
Deferred taxes	(15,988)	(1,643)	8,129	(9,502)
Prepaid taxes	24,060	689	(292)	24,457
	83,326	21,570	13,730	118,626

Income taxes include current taxes of € 152,585 thousand (€ 160,777 thousand as at 31 December 2022) and net deferred taxes of € 8,408 thousand.

In 2023, Italgas Reti signed an advance agreement with the Revenue Agency to define the methods and criteria for calculating the economic contribution arising from the direct use of intangible assets (so-called Patent Box), for the periods between 2017 and 2021, as set out by art. 1, subsections 37 to 45 of Law no. 190/2014, as subsequently amended and supplemented. The subsidised regime led to the detaxation of 50% of the income deriving from the use of subsidised intangible assets, generating, for financial year 2023, a tax benefit for IRES and IRAP purposes quantifiable as € 39.4 million.

The rates applied and provided for by the Italian tax regulations for current taxes are 24% for IRES and 4.2% for IRAP. The rate applied and provided for by the Greek tax regulations for current taxes is 22%.

The reconciliation of the theoretical tax charge, calculated by applying the corporation tax (IRES) rate in force in Italy of 24%, with the actual tax charge for the year can be broken down as follows:

(€ thousands)	2022		2023	
	Tax rate	Balance	Tax rate	Balance
IRES and FOREIGN				
Gross profit		588,496		586,097
IRES tax calculated based on the theoretical tax rate	24,00%	141,239	24,00%	140,663
Changes compared to the theoretical rate:				
- Income from equity investments	0,5%	3,220	0,7%	3,880
- Patent box			(5,5)%	(32,065)
- Current taxes for previous years	(0,0)%	(139)	0,0%	140
- "Super Iper amortisation and depreciation" tax benefit	(1,7)%	(10,213)	(1,5)%	(8,738)
- Other permanent differences	(1,6)%	(9,140)	(1,2)%	(6,824)
IRES taxes for the year through profit or loss	21,2%	124,967	16,6%	97,056

(€ thousands)	2022		2023	
	Tax rate	Balance	Tax rate	Balance
IRAP				
EBIT for IRAP		619,957		603,239
IRAP tax calculated based on the theoretical tax rate	4.2%	26,038	4.2%	25,336
Changes compared to the theoretical rate				
- Taxes for previous years	0.0%	116	0.2%	1,353
- Patent box	-	-	(1.1)%	(6,545)
- Regional IRAP adjustments	0.7%	3,858	0.5%	2,777
- Other permanent differences	(0.4)%	(2,610)	(0.2)%	(1,351)
IRAP taxes for the year through profit or loss	4.5%	27,402	3.6%	21,570

An analysis of deferred tax assets and liabilities based on the nature of the significant temporary differences that generated them can be found in the note "Deferred tax liabilities".

In Italy, pursuant to Article 157 of Decree-Law no. 34 of 19 May 2020, converted, with amendments, by Law no. 77 of 17 July 2020, amended by Article 22-bis of Decree Law no. 183 of 31 December 2020, converted, with amendments, by Law no. 21 of 26 February 2021, notifications of investigations, disputes, imposition of penalties, recovery of tax credits, adjustment and settlement, for which the time limits expired between 8 March 2020 and 31 December 2020 - including documents relating to IRES and IRAP declarations for the 2015 tax year - had to be issued by 31 December 2020, but may be filed in the period between 1 March and 28 February 2022.

Taxes related to components of comprehensive income

Current and deferred taxes related to other components of comprehensive income can be broken down as follows:

(€ thousands)	2022			2023		
	Gross value	Tax impact	Net tax value	Gross value	Tax impact	Net tax value
Remeasurement of defined-benefit plans for employees	11,659	(3,265)	8,394	48	(13)	35
Change in fair value of investments measured at fair value with effects on OCI	802	(193)	609	(489)	117	(372)
Change in fair value of cash flow hedge derivative financial instruments	56,593	(13,582)	43,011	(19,860)	4,766	(15,094)
Other components of comprehensive income	69,054	(17,040)	52,014	(20,301)	4,870	(15,431)
Deferred tax assets/liabilities		(17,040)			4,870	

32. PROFIT (LOSS) PER SHARE

The earnings per basic share, equal to € 0.54, was calculated by dividing the net profit attributable to Italgas (€ 439,568 thousand) by the weighted average number of Italgas shares outstanding during the year (810,745,220 shares).

The diluted earnings per share is calculated by dividing the net profit attributable to Italgas (€ 439,568 thousand) by the weighted average number of shares outstanding during the period, excluding any treasury shares, increased by the number of shares that could potentially be added to those outstanding as a result of the assignment or disposal of treasury shares in the portfolio for stock grant plans. The diluted earnings per share, calculated also considering the co-investment plan, was € 0.54 per share.

33. INFORMATION BY BUSINESS SEGMENT

In accordance with IFRS 8 "Operating Segments", the Group's identified segments as at 31 December 2023 are as follows:

- Gas distribution;
- Energy efficiency;
- Corporate and other sectors.

The gas distribution and metering operating segment aggregates the activities carried out in Italy and Greece, following the acquisition of the Enaon Group (formerly DEPA Infrastructure) concluded in 2022.

This representation reflects the structure of the reports that are periodically analysed by management for the purpose of managing and planning the Group's business.

In fact, the management considered that the two segments have similar economic characteristics considering that:

- gas distribution and metering in Italy and Greece are highly regulated sectors. In both cases the rate system establishes in particular that the reference revenues for the formulation of rates are determined so as to cover the costs incurred by the operator and allow for an adequate return on invested capital;
- the way in which the rate of return (WACC) is determined is quite similar in both cases, and is therefore essentially able to neutralise differences in risk between the two countries;
- the WACC values provided in the two tariff systems, 8.38% in Greece expressed in nominal pre-tax terms, and 5.6% in Italy expressed in real pre-tax terms, are fully comparable;
- access to financial markets by the Enaon Group (formerly DEPA Infrastructure) benefits from being part of the Italgas Group, as it will be able to access financing conditions similar to those within the Group and, therefore, a more established and calmer situation than if left to the market alone.

Moreover, the gas distribution service in Italy and Greece has similar economic characteristics in terms of:

- a. nature of the products and services, i.e. gas distribution and metering. Enaon (formerly DEPA Infrastructure), through its subsidiaries, which are active in gas distribution and metering throughout Greece, operates a total of approximately 7,924 kilometres of network and more than 599,211 active re-delivery points;
- b. the nature of the production processes, i.e. the development and maintenance of assets related to the gas distribution service under concession. The finalisation of the DEPA Infrastructure transaction enabled Italgas to acquire the licence to distribute natural gas in 145 Municipalities on the Greek peninsula, of which 106 are already in operation;
- c. type or class of customer according to their products or services, i.e. sales companies;
- d. methods used to distribute its products or provide its services; i.e. the transport of gas through local pipeline networks;
- e. nature of the regulatory environment, i.e. the management of a regulated business with a similar risk profile.

(€ thousands)	Gas distribution	Energy efficiency	Corporate and other sectors	Total
31.12.2022				
Regulated revenues	1,991,245	150	7,528	1,998,923
Unregulated revenues	23,335	155,409	100,633	279,377
Revenues	2,014,580	155,559	108,161	2,278,300
<i>to be deducted: inter-sector revenues</i>	(12,648)	(2,191)	(80,749)	(95,588)
Total revenues from third parties	2,001,932	153,368	27,412	2,182,712
Other revenues	131,134	462	4,876	136,472
<i>to be deducted: inter-sector others revenues</i>	(3,282)	(11)	(3,415)	(6,708)
Total others revenues from third parties	127,852	451	1,461	129,764
Total revenues from third parties	2,129,784	153,819	28,873	2,312,476
EBITDA	1,094,541	28,329	(2,346)	1,120,524
Depreciation and impairment losses on property, plant, equipment and intangible assets	(472,480)	(3,214)	(3,492)	(479,186)
EBIT	622,061	25,115	(5,838)	641,338
Investments in property, plant and equipment and intangible assets	808,850	1,004	4,466	814,320
<i>to be deducted: Investment in property, plant and equipment and intangible assets inter-sector</i>				-
Total investments in property, plant and equipment and intangible assets	808,850	1,004	4,466	814,320

(€ thousands)	Gas distribution	Energy efficiency	Corporate and other sectors	Total
31.12.2023				
Regulated revenues	2,246,160	914	2,348	2,249,422
Unregulated revenues	21,605	298,713	83,432	403,750
Revenues	2,267,765	299,627	85,780	2,653,172
<i>to be deducted: inter-sector revenues</i>	(13,006)	(1,667)	(74,305)	(88,978)
Total revenues from third parties	2,254,759	297,960	11,475	2,564,194
Other revenues	77,176	282	7,977	85,435
<i>to be deducted: inter-sector others revenues</i>	(4,011)	(75)	(6,701)	(10,787)
Total others revenues from third parties	73,165	207	1,276	74,648
Total revenues from third parties	2,327,924	298,167	12,751	2,638,842
EBITDA	1,175,534	54,573	(3,302)	1,226,805
Depreciation and impairment losses on property, plant, equipment and intangible assets	(538,606)	(3,365)	(3,574)	(545,545)
EBIT	636,928	51,208	(6,876)	681,260
Investments in property, plant and equipment and intangible assets	895,014	3,501	7,945	906,460
<i>to be deducted: Investment in property, plant and equipment and intangible assets inter-sector</i>				-
Total investments in property, plant and equipment and intangible assets	895,014	3,501	7,945	906,460

34. INFORMATION BY GEOGRAPHICAL AREA

In accordance with Subsection 33 of IFRS 8, revenues, non-current assets and investments by geographic area are shown below:

(€ thousands)	2023	
	Italy	Greece
Revenues	2,384,087	254,754
Non-current assets	8,579,093	1,178,758
Investments in tangible and intangible assets	799,726	106,734

35. RELATED PARTY TRANSACTIONS

Considering the “de facto” control of CDP S.p.A. over Italgas S.p.A., pursuant to the international accounting standard IFRS 10 - Consolidated Financial Statements, Italgas’ related parties, based on the current ownership structure, are represented by Italgas’ associates and joint ventures, as well as by the parent company, CDP S.p.A., and by its subsidiaries and associates and direct or indirect subsidiaries, associates and joint ventures of the Ministry of Economy and Finance (MEF). Members of the Board of Directors, Statutory Auditors and managers with strategic responsibilities of the Italgas Group and their families, are also regarded as related parties.

As explained in detail below, related-party transactions involve the trading of goods and the provision of regulated services in the gas sector. Transactions between Italgas and related parties are part of ordinary business operations and are generally settled at arm’s length, i.e. at the conditions that would be applied between two independent parties. All the transactions carried out were in the interest of the companies of the Italgas Group.

Pursuant to the provisions of the applicable legislation, the Company has adopted internal procedures to ensure that transactions carried out by the Company or its subsidiaries with related parties are transparent and correct in their substance and procedure.

The Directors and Statutory Auditors declare potential interests that they have in relation to the company and the group every six months, and/or when changes in said interests occur; in any case, they promptly inform the Chief Executive Officer (or the Chairperson, in the case of the Chief Executive Officer’s interests), who in turn informs the other directors and the Board of Statutory Auditors, of the individual transactions that the company intends to carry out and in which they have an interest.

Italgas is not subject to management and coordination activities. Italgas exerts management and coordination activities over its subsidiaries pursuant to Articles 2497 et seq. of the Civil Code.

The amounts involved in commercial, financial and other transactions with the above-mentioned related parties, are shown below. The nature of the most significant transactions is also stated.

With reference in particular to the balances exposed towards the Eni Group and Enel Group, the underlying relations refer to the natural gas distribution service business, according to the terms of the Network Code, defined by the Regulatory Authorities for Energy, Networks and the Environment. The Network Code regulates the non-discriminatory conditions, including tariffs, applicable to distribution users. These relations shall take the form of ordinary transactions concluded at arm’s length conditions insofar as part of the core operating business of the Group, as envisaged by the Italgas Compliance Standard “Transactions involving the interests of the Directors and Statutory Auditors and Related Party Transactions”.

Commercial and other transactions

Commercial and other transactions are analysed below:

(€ thousands)	31.12.2022			2022 Costs ^(a)			2022 Revenues ^(b)	
	Receivables	Payables	Guarantees and commitments	Assets	Services	Other	Services	Other
Parent company								
- Cassa Depositi e Prestiti	-	184	-	-	90	9	-	-
	0	184		0	90	9	0	0
Companies under joint control and associates								
- Umbria Distribuzione Gas	2,649	21	-	-	(14)	-	1,456	318
- Metano Sant'Angelo Lodigiano	489	(2)	-	-	(2)	-	759	146
- Gesam Reti	61	-	-	-	-	-	58	6
- Enerpaper	329	1,613	-	-	4,704	-	-	-
- Energie Rete Gas	2,156	-	-	-	-	-	-	5,090
	5,684	1,632		-	4,688	-	2,273	5,560
Companies owned or controlled by the State								
- Eni Group	13,638	326,492	-	5,005	762	1,168	(148,369)	4,068
- Snam Group	308	359	-	-	218	7	241	49
- Enel Group	5,532	112,783	-	-	74	213	(87,468)	6,817
- Anas Group	20	1,061	-	-	9	482	-	-
- Ferrovie dello Stato Group	265	33	-	-	7	534	1	-
- GSE Gestore Servizi Group	2,033	(8)	-	-	41	153,728	3,866	34
- Poste italiane Group	4	242	-	-	64	-	-	-
- Leonardo Group	-	265	-	-	298	-	-	-
- Saipem Group	-	54	-	-	-	-	-	-
	21,800	441,281		5,005	1,473	156,132	(231,729)	10,968
Other related parties								
- Eur Group	-	4	-	-	-	2	-	-
- Valvitalia Group	-	832	-	4,318	-	-	-	-
- Oper Fiber	1	-	-	-	-	-	-	-
- UniCredit Previdenza	-	134	-	-	-	-	-	-
- Dispositivi protezione individuale	1	7	-	2	12	-	-	-
- E-Distribuzione	1	-	-	-	61	1	-	-
- Ferrovienord S.p.A	-	-	-	-	-	6	-	-
- Assicurazioni Generali	1,335	-	-	-	-	-	-	1,335
- Valdarno	-	81	-	-	463	2	-	-
- Trevi	-	66	-	-	66	-	-	-
- CESI - Giacinto Motta	-	13	-	-	-	-	-	-
	1,338	1,137	-	4,320	602	11	-	1,335
Total	28,822	444,234	-	9,325	6,853	156,152	(229,456)	17,863

^(a) Include costs for goods and services for investment.^(b) Gross of the regulation components having contra entry in costs.

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(€ thousands)	31.12.2023			2023 Costs ^(a)			2023 Revenues ^(b)	
	Receivables	Payables	Guarantees and commitments	Assets	Services	Other	Services	Other
Parent company								
- Cassa Depositi e Prestiti	-	209		-	94	21	-	-
	-	209		-	94	21	-	-
Companies under joint control and associates								
- Umbria Distribuzione Gas	4,552	21		-	(32)	-	2,749	236
- Metano Sant'Angelo Lodigiano	732	(2)		-	(7)	-	426	92
- Gesam Reti	61	-		-	-	-	58	6
- Enerpaper	329	2,879		-	6,548	-	-	-
- Energie Rete Gas	1,541	5,863		-	4,160	1,755	1,352	38
	7,215	8,761		-	10,669	1,755	4,585	372
Companies owned or controlled by the State								
- Eni Group	130,542	41,681		6,845	727	2,024	64,497	4,522
- Snam Group	410	477		-	161	1	240	(96)
- Enel Group	42,282	9,383		(6)	136	611	(28,124)	(3,196)
- Anas Group	839	1,201		-	9	410	-	1,063
- Ferrovie dello Stato Group	904	38		-	4	700	65	772
- GSE Gestore Servizi Group	956	1,043		-	45	68,433	4,601	20
- Poste italiane Group	2	171		-	224	-	-	-
- Leonardo Group	28	157		-	129	-	-	105
- Saipem Group	3	27		-	-	-	-	3
	175,966	54,178		6,839	1,435	72,179	41,279	3,193
Other related parties								
- Zecca dello Stato	-	-		-	-	-	1	-
- Acqua Campania	-	1,378		2,689	-	-	-	-
- Eur Group	-	4		-	-	2	-	-
- Valvitalia Group	-	1,112		4,637	37	-	-	-
- Gruppo SMAT	-	-		-	-	-	-	2
- Autovie Venete	-	-		-	-	6	-	-
- Oper Fiber	-	-		-	-	-	-	6
- Dispositivi protezione individuale	1	11		1	14	14	-	-
- E-Distribuzione	9	1		-	190	-	-	-
- Monte Titoli S.p.A.	-	11		-	17	-	-	-
- Borsa Italiana	-	-		-	193	-	-	-
- Servizio Elettrico Nazionale	-	-		-	1	-	-	-
- Zurig Investment Life	-	1		-	1	-	-	-
- Ferrovienord S.p.A	-	-		-	-	6	-	-
- Petrolig S.r.l.	15	-		-	-	-	-	-
- LT S.r.l.	306	1		-	380	-	-	-
- CESI - Giacinto Motta	-	21		-	19	-	-	-
- Assicurazioni Generali	891	-		-	-	-	-	(444)
- Valdarno	-	22		-	-	-	-	-
- Trevi	-	287		-	250	-	-	-
	1,222	2,849		7,327	1,102	28	1	(436)
Total	184,403	65,997		14,166	13,300	73,983	45,865	3,129

^(a) Include costs for goods and services for investment.

^(b) Gross of the regulation components having contra entry in costs.

Companies under joint control and associates

With Umbria Distribuzione Gas S.p.A. and Metano Sant'Angelo Lodigiano S.p.A. the main receivable commercial transactions mainly refer to IT services and staff services.

With Enerpaper S.r.l. the payable commercial transactions refer to activities related to superbonus construction sites.

Companies owned or controlled by the State

The main receivable commercial transactions refer to:

- the distribution of natural gas to the Eni Group;
- the distribution of natural gas to Enel Energia S.p.A.

The main payable commercial transactions refer to:

- the supply of electricity and methane gas for internal consumption by the Eni Group.

The main payable commercial transactions to the GSE refer to:

- acquisition of Energy Efficiency Certificates

Financial transactions

Financial transactions can be broken down as follows:

(€ thousands)	31.12.2022		2022	
	Receivables	Payables	Income	Expense
Parent company				
- Cassa Depositi e Prestiti	612	(50)	1	-
	612	(50)	1	-
Companies under joint control and associates				
- Energie Reti gas	2,126	-	-	-
	2,126	-	-	-
State-owned or controlled enterprises				
- Ferrovie dello Stato Group	-	(124)	-	-
- Anas Group	-	(162)	-	-
- Eni Group	-	-	-	-
- Snam Group	-	(1,581)	-	-
	-	(1,867)	-	-
Other companies				
- Sace	-	-	-	-
- Acqua Campania	120	-	-	-
- Dispositivi protezione individuale	-	(13)	-	-
	120	(13)	-	-
Total	2,858	(1,930)	1	-

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(€ thousands)	31.12.2023			2023
	Receivables	Payables	Income	Expense
Parent company				
- Cassa Depositi e Prestiti	1,075	-	1	-
	1,075	-	1	-
Companies under joint control and associates				
- Energie Reti gas	2,126	-	-	-
	2,126	-	-	-
State-owned or controlled enterprises				
- Ferrovie dello Stato Group	-	405	-	-
- Anas Group	-	331	-	-
- Snam Group	-	1,466	-	-
	-	2,202	-	-
Other companies				
- Acqua Campania	2,581	-	-	-
	2,581	-	-	-
Total	5,782	2,202	1	-

Relations with the parent company CDP

The main financial transactions carried out with CDP specifically concern commissions on subscribed loans.

Companies under joint control and associates

The main financial transactions with Energie Reti Gas S.r.l. relate to a shareholder loan agreement.

Other companies

The main financial transactions entertained with Sace Ft S.p.A. relate to financial commission following the transfer of receivables.

Transactions with Directors, Statutory Auditors and key managers, with reference in particular to their remuneration, are described in the note "Operating costs", to which reference is made.

Impact of related-party transactions or positions on the statement of financial position, income statement and statement of cash flows

The impact of related-party transactions or positions on the Statement of Financial Position is summarised in the following table:

(€ thousands)	31.12.2022			31.12.2023		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Statement of financial position						
Current financial assets	5,770	2,246	38.93%	4,248	2,127	50.07%
Trade and other receivables	1,142,950	28,586	2.50%	853,488	184,114	21.57%
Other current financial assets	17,455	-	0.00%	18,094	-	0.00%
Other current non-financial assets	80,775	4	0.00%	152,864	2	0.00%
Non-current financial assets	22,945	612	2.67%	23,778	3,655	15.37%
Other non-current financial assets	35,442	-	0.00%	13,708	-	0.00%
Other non-current non-financial assets	153,575	232	0.15%	417,069	287	0.07%
Short-term financial liabilities	142,437	118	0.08%	1,033,434	636	0.06%
Trade and other payables	1,197,117	444,040	37.09%	829,862	65,775	7.93%
Other current financial liabilities	290	-	0.00%	-	-	-
Other current non-financial liabilities	30,072	194	0.65%	17,393	222	1.28%
Long-term financial liabilities	6,402,913	(2,048)	(0.03)%	5,886,922	1,566	0.03%
Other non-current financial liabilities	34	-	0.00%	-	-	-
Other non-current non-financial liabilities	545,192	-	0.00%	527,884	-	0.00%

The impact of related-party transactions on the income statement is summarised in the following table:

(€ thousands)	2022			2023		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Income Statement						
Revenues	2,182,712	(229,456)	(10.51)%	2,564,193	45,865	1.79%
Other revenues and income	129,764	17,863	13.77%	74,648	3,129	4.19%
Costs for raw materials, consumables, supplies and goods	154,746	9,325	6.03%	195,869	14,166	7.23%
Costs for services	654,094	6,853	1.05%	792,394	13,300	1.68%
Costs for leased assets	102,319	1,021	1.00%	89,133	1,125	1.26%
Personnel cost	257,492	-	0.00%	276,800	-	0.00%
Other expenses	25,440	155,131	609.79%	56,600	72,858	128.72%
Financial expense	61,367	-	0.00%	103,642	-	0.00%
Financial income	4,043	1	0.02%	5,490	1	0.02%

Related-party transactions are generally carried out at arm's length, i.e. at the conditions that would be applied between two independent parties

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The principal cash flows with related parties are shown in the following table:

(€ thousands)	2022	2023
Revenues and income	(211,593)	48,994
Costs and charges	(172,330)	(101,449)
Change in current financial assets	(121)	119
Change in trade and other current receivables	197,245	(155,526)
Change in non-current financial assets	(612)	(3,043)
Change in other assets	436	(55)
Change in trade and other payables	407,357	(378,265)
Change in other current liabilities	19	28
Interest collected (paid)	(1)	(1)
Net cash flow from operating activities	565,060	(386,300)
Net investments		
- (Purchase) Sale of equity investments	(12,128)	
Net cash flow from investment activities	(12,128)	-
Dividends distributed to minority shareholders	(94,334)	(101,470)
Increase (decrease) in financial debt	(3,745)	4,132
Net cash flow from financing activities	(98,079)	(97,338)
Total cash flows to related entities	454,853	(483,638)

The incidence of cash flows with related parties are shown in the following table:

(€ thousands)	2022			2023		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Cash flow from operating activities	548,169	565,060	103.08%	572,672	(386,300)	(67.46)%
Cash flow from investment activities	(1,283,826)	(12,128)	0.94%	(857,604)	-	0.00%
Cash flow from financing activities	(204,160)	(98,079)	48.04%	82,949	(97,338)	(117.35)%

36. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, it should be stated that no significant non-recurring events or transactions took place during the course of the year.

37. POSITIONS OR TRANSACTIONS ARISING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, it should be stated that no atypical and/or unusual positions or transactions took place during the course of the year.

38. BUSINESS COMBINATION

During the 2022 financial year, the Enaon Group (formerly DEPA Infrastructure) was acquired for a total consideration of € 929,146 thousand. The net value of the acquired assets, including the license, had a fair value of € 813,357 thousand, which therefore resulted in goodwill of € 115,789 thousand.

Furthermore, Janagas S.r.l. was acquired in 2022. for a total consideration of € 30,901 thousand. The net value of the acquired assets had a fair value of € 44,459 thousand, which therefore resulted in a baigrain of € 13,558 thousand recorded in the income statement in 2022.

The purchase price allocations for all 2022 acquisitions were finalized during the year.

39. SIGNIFICANT EVENTS AFTER YEAR END

Further post-balance sheet events are described in the section “Other information” contained in the Directors’ Report.

40. PUBLICATION OF THE FINANCIAL STATEMENTS

The financial statements were authorised for publication by the Board of Directors of Italgas at its meeting of 12 March 2024. The Board of Directors authorised the Chairman and the Chief Executive Officer to make any changes which might be necessary or appropriate for finalising the form of the document.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 5 OF LEGISLATIVE DECREE 58/1998 (CONSOLIDATED FINANCE ACT)

1. Pursuant to article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, the undersigned Paolo Gallo and Gianfranco Maria Amoroso, as Chief Executive Officer and Director in charge of preparing company accounting documents of Italgas S.p.A. respectively, certify:

- the adequacy, considering the Company's characteristics, and
- the effective implementation

of the administrative and accounting procedures for the preparation of the consolidated financial statements during the course of 2023.

2. The administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 2023 were defined and their adequacy was assessed using the rules and methods in line with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents a benchmark framework for the internal control system generally accepted at international level.

3. It is also certified that:

3.1 The consolidated financial statements at 31 December 2023:

- a) were prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- b) are consistent with the accounting books and records;
- c) are able to provide a true and fair view of the financial position, results of operations and cash flows of the issuer and the consolidated companies.

3.2 The Directors' Report includes a reliable analysis of the operating performance and results, as well as the position of the issuer and of all the companies included in the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

12 March 2024

Chief Executive Officer

Paolo Gallo

Executive responsible for preparing
the corporate accounting documents

Gianfranco Maria Amoroso

INDEPENDENT AUDITORS' REPORT



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**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

To the Shareholders of
Italgas S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Italgas S.p.A. and its subsidiaries ("Italgas Group" or "Group"), which comprise the consolidated statement of financial position as at December 31, 2023, the income statement and the consolidated statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement for the year then ended, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Italgas S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.

Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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Investments in service concession agreements for the natural gas distribution and metering services and related impairment test

Description of the key audit matter As at December 31, 2023, the Group accounts for intangible assets including the captions “Service concession agreements” and “Work in progress and payments on account IFRC 12”, respectively equal to euro 8,211,480 thousand and euro 222,479 thousand, mainly related to investments made for development and maintenance of the infrastructures related to the service concession agreements for the natural gas distribution and metering services located in Italy and Greece. Investments made in the financial year relating to these items of intangible assets totaled euro 788,269 thousand. The goodwill allocated to the cash-generating units for the “distribution and metering of natural gas and other gases” and for the “distribution and metering of natural gas abroad” amounts to euro 66,200 thousand and euro 115,789 respectively.

The natural gas distribution and metering activity is regulated by the Italian Regulatory Authority for Energy, Networks and Environment (Autorità di Regolazione per Energia Reti e Ambiente, “ARERA”) and Greek Regulatory Authority for Energy (“RAE”), which define, among the others, the rules for the remuneration of the natural gas distribution and metering services. In particular, the regulated revenues for the natural gas distribution and metering services provided by the Group are determined by ARERA and by RAE and provide for recognition of a predefined return on net invested capital recognized for regulatory purposes (RAB – Regulatory Asset Base), relative depreciation and certain operating expenses – the so-called “revenue cap”. The RAB value is mainly determined through the “revalued historical cost” and the “historical cost” method, respectively by ARERA and by RAE.

At the end of the financial year, the Group's Management assessed the recoverability of non-financial fixed assets related to the natural gas distribution and metering services comparing the carrying amount, represented by the net invested capital of the relative cash-generating unit, with the corresponding recoverable amount. In performing the impairment test, the recoverable amount of the cash-generating unit “distribution and metering of natural gas and other gases” and the cash-generating unit “distribution and metering of natural gas abroad” were estimated respectively according to the methodology of the RAB updated as at the balance sheet date and the value in use estimated on the basis of Discounted Cash Flow methodology. No impairment loss resulted from the test.

We believe that investments in service concession agreements related to the natural gas distribution and metering services and the related impairment test represent a key audit matter for the Group's consolidated financial statements as at December 31, 2023 due to: (i) the relevance of the intangible assets related to such service concession agreements compared

to the Group's total assets, (ii) the relevance of the investments made during the year, (iii) their impact in determining the revenue cap for the remuneration of the natural gas distribution and metering services, and (iv) the estimation component in determining the recoverable amount of the assets.

Paragraphs "3) Measurement criteria – Intangible assets", "3) Measurement criteria – Impairment of non-financial fixed assets", "5) Use of estimates" and "13) Intangible assets" of the consolidated financial statements include the disclosure on the investments and the relative impairment test.

Audit procedures performed

With reference to investments in service concession agreements for the natural gas distribution and metering services and the relative impairment test, our audit procedures included, among the others, the following:

- Understand the processes and relevant controls related to the recognition of such investments in the financial statements and assessment of their operating effectiveness.
- Understand the processes and relevant controls related to impairment test.
- Critical analysis of the composition of the intangible assets caption, including the analysis of any unusual item.
- For a sample of investment items accounted within intangible assets for which the amortization process begun during the year, test of the accurate start of depreciation when the asset is available for use and aging analysis of the assets capitalized within work in progress.
- With reference to investments and disposals occurred during the period, selection of a sample of transactions and test of the compliance with the capitalization and disposal criteria provided by accounting standards.
- Assessment of the consistency between the useful life used for the depreciation of the assets under concession and their regulatory useful life and reperforming of the period depreciation.
- Discussion meetings with the Group's Management in order to understand the impairment test methodology.
- Assessment of the reasonableness of the assumptions underlying the determination of the recoverable amount, also using the work of experts of the Deloitte network.
- Mathematical accuracy's test of the recoverable amount estimated by the Management and of the comparison between the recoverable amount and the carrying amount for each cash generating unit.
- Test of the sensitivity analysis prepared by the Management.

Finally, we assessed the adequacy of the disclosure provided in the notes to the consolidated financial statements and its compliance with the accounting standards.



Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Italgas S.p.A. has appointed us on May 12, 2020 as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.



REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Italgas S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the “Delegated Regulation”) to the consolidated financial statements as at December 31, 2023, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2023 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the illustrative notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Italgas S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Italgas Group as at December 31, 2023, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Italgas Group as at December 31, 2023 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Italgas Group as at December 31, 2023 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.



Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Italgas S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Paola Mariateresa Rolli
Partner

Milan, Italy
April 5, 2024

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

04

ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Companies and equity investments of Italgas S.p.A. as at 31 December 2023 349

COMPANIES AND EQUITY INVESTMENTS OF ITALGAS S.P.A. AS AT 31 DECEMBER 2023

In compliance with the provisions of Consob communication DEM/6064293 of 28 July 2006 and of articles 38 and 39 of Italian Legislative Decree 127/1991, the list of subsidiary and related companies of Italgas S.p.A. as at 31 December 2023, as well as other relevant shareholdings, are reported below.

The companies are broken down by area of activity and are listed in alphabetical order. The name, registered office, share capital, shareholders and respective percentages of ownership are reported for each company. For fully consolidated companies, the consolidated percentage pertaining to Italgas is indicated. The measurement criterion is indicated for non-fully-consolidated subsidiaries of consolidated companies.

As at 31 December 2023, the companies of Italgas S.p.A. they are so divided:

CONSOLIDATING COMPANY

Designation	Registered office	Currency	Share capital	Shareholders	% ownership	% consolidated pertaining to Italgas	Consolidation method or measurement criterion	Business sector
Italgas S.p.A.	Milan	Eur	1,003,227,568.76	CDP Reti S.p.A. Snam S.p.A. Minority shareholders	25.99% 13.47% 60.54%	100.00%	full consolidation	Corporate

SUBSIDIARY COMPANIES

Designation	Registered office	Currency	Share capital	Shareholders	% ownership	% consolidated pertaining to Italgas	Consolidation method or measurement criterion	Business sector
Italgas Reti S.p.A.	Turin	Eur	252,263,314	Italgas S.p.A.	100.00%	100.00%	full consolidation	Gas distribution
Nepta S.p.A.	Milan	Eur	50,000	Italgas S.p.A.	100.00%	100.00%	full consolidation	Corporate and other sectors
Geoside S.p.A.	Casalecchio di Reno (BO)	Eur	57,089,254	Italgas S.p.A. Toscana Energia S.p.A.	67.22% 32.78%	83.82%	full consolidation	Energy efficiency
Medea S.p.A.	Sassari	Eur	95,500,000	Italgas Reti S.p.A. Minority shareholders	51.85% 48.15%	51.85%	full consolidation	Gas distribution
Toscana Energia S.p.A.	Florence	Eur	146,214,387	Italgas Reti S.p.A. Minority shareholders	50.66% 49.34%	50.66%	full consolidation	Gas distribution
Italgas Newco S.p.A.	Milan	Eur	50,000,000	Italgas Reti S.p.A. Minority shareholders	90.00% 10.00%	90.00%	full consolidation	Gas distribution
Bludigit S.p.A.	Milan	Eur	11,000,000	Italgas S.p.A.	100.00%	100.00%	full consolidation	Gas distribution
Enaon S.A.	Athens	Eur	79,709,919	Italgas Newco S.p.A.	100.00%	90.00%	full consolidation	Gas distribution
Enaon EDA S.A.	Athens	Eur	243,811,712	Enaon S.A.	100.00%	90.00%	full consolidation	Gas distribution
Immogas S.r.l.	Florence	Eur	1,718,600	Toscana Energia S.p.A.	100.00%	50.66%	full consolidation	Gas distribution

4 ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Designation	Registered office	Currency	Share capital	Shareholders	% ownership	% consolidated pertaining to Italgas	Consolidation method or measurement criterion	Business sector
Acqua S.r.l.	Milan	Eur	20,350,000	Nepta S.p.A.	100.00%	100.00%	full consolidation	Corporate and other sectors
Idrolatina S.r.l.	Milan	Eur	6,902,587	Acqua S.r.l.	100.00%	100.00%	full consolidation	Corporate and other sectors
Idrosicilia S.p.A.	Milan	Eur	22,520,000	Acqua S.r.l.	98.70%	98.70%	full consolidation	Corporate and other sectors

ASSOCIATED AND JOINT CONTROL COMPANIES

Designation	Registered office	Currency	Share capital	Shareholders	% ownership	Consolidation method or measurement criterion
Metano Sant'Angelo Lodigiano S.p.A. ^(a)	Sant'Angelo Lodigiano (LO)	Eur	200,000	Italgas S.p.A. Minority shareholders	50.00% 50.00%	shareholders' equity measurement
Umbria Distribuzione Gas S.p.A. ^(a)	Terni	Eur	2,120,000	Italgas S.p.A. Minority shareholders	45.00% 55.00%	shareholders' equity measurement
Energie Reti Gas S.r.l. ^(a)	Milan	Eur	11,000,000	Medea S.p.A. Minority shareholders	49.00% 51.00%	shareholders' equity measurement
Gesam Reti S.p.A.	Lucca	Eur	20,626,657	Toscana Energia S.p.A. Minority shareholders	42.96% 57.04%	shareholders' equity measurement
Enerpaper S.r.l.	Turin	Eur	20,156	Geoside S.p.A. Minority shareholders	20.01% 79.99%	shareholders' equity measurement
Siciliaque S.p.A.	Palermo	Eur	400,000	Idrosicilia S.p.A. Minority shareholders	75.00% 25.00%	shareholders' equity measurement
Acqualatina S.p.A.	Latina	Eur	23,661,533	Idrolatina S.r.l. Minority shareholders	49.00% 51.00%	shareholders' equity measurement

^(a) Company subject to joint control.

OTHER COMPANIES

Designation	Registered office	Currency	Share capital	Shareholders	% ownership	Consolidation method or measurement criterion
Reti Distribuzione S.r.l.	Ivrea (TO)	Eur	20,000,000	Italgas Reti S.p.A. Minority shareholders	15.00% 85.00%	fair value measurement
Picarro Inc.	Santa Clara (USA)	Dollar		Italgas S.p.A. Minority shareholders	6.00% 94.00%	fair value measurement
Gaxa S.p.A.	Cagliari	Eur	100,000	Italgas S.p.A. Minority shareholders	5.00% 95.00%	fair value measurement

CHANGE IN SCOPE OF CONSOLIDATION

Designation	Registered office	Currency	Share capital	Shareholders	% ownership	Consolidation method or measurement criterion
Nepta S.p.A. ^(a)	Mialn	Eur	50,000	Italgas S.p.A.	100.00%	full consolidation
EDA Attikis S.A. ^(b)	Lykovrisi	Eur	243,811,712	DEPA infrastructure S.A..	100.00%	full consolidation
EDA Thess S.A. ^(b)	Menemeni	Eur	247,127,605	DEPA Infrastructure S.A.	100.00%	full consolidation
Janagas S.r.l. ^(c)	Rome	Eur	10,000	Medea S.p.A.	100.00%	full consolidation
Gaxa S.p.A. ^(d)	Cagliari	Eur	100,000	Italgas S.p.A. Minority shareholders	5.00% 95.00%	fair value measurement
Acqua S.r.l. ^(e)	Milan	Eur	20,350,000	Nepta S.p.A.	100.00%	full consolidation
Idrolatina S.r.l. ^(e)	Milan	Eur	6,902,587	Acqua S.r.l.	100.00%	full consolidation
Idrosicilia S.p.A. ^(e)	Milan	Eur	22,520,000	Acqua S.r.l.	98.70%	full consolidation
Siciliaque S.p.A. ^(e)	Palermo	Eur	400,000	Idrosicilia S.p.A. Minority shareholders	75.00% 25.00%	shareholders' equity measurement
Acqualatina S.p.A. ^(e)	Latina	Eur	23,661,533	Idrolatina S.r.l. Minority shareholders	51.00% 25.00%	shareholders' equity measurement

^(a) Change of company name from Italgas Acqua S.p.A. as at Nepta S.p.A.

^(b) Company left the scope of consolidation following its incorporation into Enaon S.A.

^(c) Company left the scope of consolidation following its incorporation into Medea S.p.A.

^(d) Reduction of the shareholding (from 15.56% to 5.00%).

^(e) Company entered into the scope of consolidation following the acquisition.

FEES FOR AUDITING AND SERVICES OTHER THAN AUDITING

Pursuant to art. 149-duodecies, second paragraph, of Consob resolution 11971 of 14 May 1999, and subsequent amendments, the fees for the year due to the auditing firm Deloitte & Touche S.p.A. are indicated below. for the services provided to the parent company Italgas S.p.A, its subsidiaries and jointly controlled companies.

(€ thousands)	Subject that provided the service	Recipient	Remuneration
Type of services			
Audit ^(*)	Parent company auditor	Parent company	270
	Parent company auditor	Subsidiaries	798
	Parent company auditor	Jointly controlled company	32
Certification services ^(**)	Parent company auditor	Parent company	179
	Parent company auditor	Subsidiaries	23
	Parent company auditor	Jointly controlled company	6
			1,308

^(*) The auditing services basically include: (i) the audit of the annual financial statements; (ii) the limited audit of the annual reporting package; (iii) the limited audit of the half-yearly reporting package; (iv) the audit of the separate annual accounts pursuant to the Integrated Text on Accounting Unbundling (TIUC).

^(**) The certification services regard: (i) the review of the financial reporting control system; (ii) procedures performed in relation to the EMTN programme; (iii) procedures associated with the certification of investments for tariff purposes.



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